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EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Weekend August 20/August 21 1988

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## WORLD NEWS

### Suspicions grow over Zia's death

The Pakistani Government believes that President Zia ul-Haq's death in an aircraft crash was part of a plan to halt the country's growing military intervention in Afghanistan. Suspicion has fallen on the Khan, the Afghan intelligence service, which will support from within the Pakistani security forces. However, acting President Chaudhry Zulfikar Ali Khan said that Pakistan's Afghanistan policy would not be changed. Back Page

**Warning to Britons**  
The Foreign Office warned Britons not to visit the Shrine, Karachi, following reports of violent disturbances in the capital city. An indefinite curfew and a shoot-on-sight order are in force.

**WPC loses eye in blast**  
A policewoman lost the sight of an eye after she was caught in an IRA bomb explosion in Co. Fermanagh. The IRA claimed responsibility for a 20th car bomb which exploded at an hotel in Co. Down, causing £760,000 worth of damage.

**US admits mistakes**  
US Defence Secretary Frank Carlucci said that mistakes by crew members on the US Navy cruiser Vincennes contributed to the shooting down of an Iranian airliner in the Gulf, killing 290 people. Page 2

**EC appeal for Mandela**  
The European Community appealed to South Africa for an immediate and unconditional release of jailed African National Congress leader Nelson Mandela.

**Bomber misses troops**  
A car rigged with 220lb of explosives, which was being driven towards an Israeli convoy in south Lebanon, exploded just before reaching them, killing the driver.

**Hess anniversary leaves**  
Hundreds of extreme right-wing supporters of Hitler's deputy Rudolf Hess can gather at his grave to mark the first anniversary of his death, a West German court ruled.

**Polish unrest grows**  
Gdansk shipyard threatened to join the growing wave of unrest throughout Poland as striking workers demand recognition for the banned trade union Solidarity.

**SSO 'set to explode'**  
A rocket attack which set off an explosion at a Soviet munitions dump in north Afghanistan killed at least 500, a Western diplomat said.

**KGB chief replaced**  
The head of the KGB state security police in Soviet Azerbaijan has been removed and replaced by an ethnic Russian, the Communist Party newspaper Bakhrayev reported.

**Ship bomb threat**  
A threat has been made to blow up a Yugoslav freighter, sailing across the Atlantic to Canada, unless a \$471,000 ransom is paid, a Canadian Coast Guard said.

**All chaos fear recedes**  
Spanish air traffic controllers, who threatened to strike over the Bank Holiday weekend, are believed to be close to calling off their action.

**Sir Frederick Ashton**  
Sir Frederick Ashton, founder-choreographer to the Royal Ballet, died at his Suffolk home. He was 83. Obituary. Page XV

**Piggott's wife in full**  
Susan Piggott, 47, wife of jailed former jockey Lester Piggott, was seriously injured after a riding accident on Newmarket Heath, Suffolk.

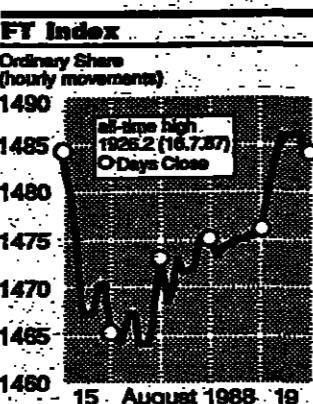
**High radiation honey**  
Government checks since the Chernobyl accident have revealed high levels of radiation in honey produced in North Yorkshire.

## BUSINESS SUMMARY

### Investors to lose some safeguards

LEGISLATION that gives investors an automatic right to compensation for losses suffered when the rules are breached is to be eased. Under plans published yesterday, firms which take "all reasonable steps" to keep the rules will be able to reject claims from professional, business and experienced investors. Other inexperienced private investors will retain their original rights. Back Page

**LONDON SHARES** successfully weathered a deluge of UK and US economic statistics and the week brought improvements



**ORDINARY INDEX** Ordinary share daily movement reached a new all-time high of 1492.2 (16.75%) on Friday.

**SAS**'s plan to buy a 40 per cent stake in state airline Aeroflot, Argentina is in trouble because Argentinian's Peronist party opposes the deal. Congressional approval is required for the plan and the Peronists have a majority in the upper house. Page 18

**FTZ WILTON**, Dublin-based industrial investment company headed by US Heinz group chief Tony O'Reilly, is buying 85 per cent of the London-based Roy Hall cash and carry business for an initial £6.8m. Page 16; Lex, Back Page

**STOCK EXCHANGE** chairman Sir Nicholas Goodison warned against protectionism in Europe as the EC moves toward EMU and the single market. Back Page

**SPAIN'S** economic team will have to raise its 1988 inflation target because of bigger-than-expected price rises in July. The consumer price index rose by 1.3 per cent. Page 2

**SCOTTISH HERITABLE** Trust, York-based industrial and property group, added to its US acquisitions with the \$8.13m (£4.75m) purchase of a 26.14 per cent stake in Texas-based Rangeire Industrial concern. Page 5

**S & W BERRISFORD**, sugar to property group, offered through its Swiss Erlanger Commercial arm to buy all the preferred share in Billingsgate City Securities, a single-asset company which owns a City office building. Page 8

**ALLEGEMEEN BANK** Nederland, the Netherlands' biggest bank, forecast first-half earnings by 15.5 per cent to F1.36m (£85m), due mainly to lower taxes and reduced bad loan provisions. Page 10

**LIBERTY LIFE**, South Africa's third-largest insurer, raised its interim pre-tax income to R1.15m (£276.2m) in first half compared with R85m a year before, but is cautious about the outcome because of new taxes on life office profits. Page 10

**HANG SENG BANK**, subsidiary of the Hongkong and Shanghai Banking Corporation, reported attributable first-half profits 17.1 per cent up at HK\$483.6m (£96.3m) after transfers to inner reserves. Page 10

**SHERWOOD GROUP**, UK textile company launched on the USM two years ago, has paid \$1.45m (£835.5m) for its Lancashire floral textiles. Page 5

**AIR-UK**, independent airline, brought in slightly lower taxable profits of £2.55 (£2.68) last year. Page 4

## Inflation rate rises to 4.8% with no sign of break in upward trend

By Ralph Atkins, Economics Staff

BRITAIN'S annual inflation rate last month was the highest for 2½ years and there is no sign of a early break in the upward trend, according to official figures yesterday.

The Department of Employment said: "Retail prices increased by 4.8 per cent in the 12 months to July, the largest 12-month rise since February 1986."

Higher mortgage rates mean the annual inflation rate will almost certainly rise to more than 5 per cent this year. Some City analysts think it could be as high as 5.8 per cent.

July's figure was in line with expectations. It followed statistics during the week which highlighted the economy's exceptional growth and resulting inflationary pressure.

This has fuelled speculation that Mr Nigel Lawson, Chancellor of the Exchequer, will order further rises in base rates — perhaps to 12 per cent or more, compared with the current 11 per cent.

Money supply figures on Thursday showed bank and building society lending rose to a record £58.1bn last month while a steep fall in unemployment figures pointed to a tight labour market. Retail sales and industrial output figures on Monday suggested no let-up in strong economic growth.

The Treasury yesterday said the week's figures were broadly in line with its assessment of monetary conditions before the 3½ percentage point rise in base rates since May. It expects it will take some time for the effect of the higher cost of borrowing to work through.

The monetary authorities are likely to have been encouraged by the apparent continuing strength of the pound. This may have eased pressure for a swift interest rate rise.

In spite of large dollar movements, sterling's value dropped only slightly during the week. In quiet London trading yesterday it strengthened against the dollar but fell against the D-Mark.

Share prices were unsettled throughout the week but ended yesterday having absorbed the economic news relatively calmly. The FTSE 100 share index closed at 1,844.2, up 10.4 on the day but hardly changed on the week.

The Employment Department said the retail price index increased 0.1 per cent between June and July.

Car price rises and higher electricity and gas costs were partly offset by lower prices for fresh foods, clothing and footwear.

Recent mortgage rate rises had no effect on the index last month. Government statisticians estimate the recent 1.75 percentage point rise in base rates will add 0.1 per cent to the index, mostly in August.

The Government is likely to argue that August's figure will show a temporary blip. The Chancellor has admitted that inflation is likely to pick up in the second half of this year and the first half of 1989 before tailing back.

However, there are fears that this month's figure will be taken as a benchmark in forthcoming pay negotiations. This Continued on Page 20

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The Government is likely



## OVERSEAS NEWS

## Dismay greets Ne Win surrogate

AN ASIAN nationalist at the turn of the century wrote that "the glory of saving one's country cannot be given to one who has contributed to its ruin". It is in this spirit that students in Rangoon yesterday greeted the choice of 64-year-old Maung Maung as Burma's first civilian leader in 26 years, immediately calling for nationwide protest strikes and real democratic reforms to overthrow the one-party system.

Maung takes over the country in the knowledge that there is national disgust for the ruling Burma Socialist Programme Party, which he helped create, and with his reputation as little more than a surrogate for Ne Win, autocratic leader for 25 years until he resigned last month.

Although he suffers this handicap, he is an intellectual, which is an important consideration in Burma. The man he succeeds, Sein Lwin, who had 19 days as president, was constantly lauded for his poor formal education.

Maung won a scholarship in 1948 to study law in Britain and was called to the bar at Lincoln's Inn. He received a doctorate at Oxford and lectured at Yale. Like many in the Burmese regime, he fought in the second world war with the Burma Independence Army, first with the Japanese against British colonial rule and then against the Japanese occupying forces once the tide had turned.

Since then he has not been in the military, which was widely disliked even before the army shot dead thousands of unarmed protesters this

**Burma's first civilian leader in 26 years is regarded as a front-man for the former autocratic premier, reports Richard Gourlay**

month. After returning to Burma, Maung taught law before becoming Chief Justice in 1962, soon after Ne Win took over. He rose in the party's central executive committee, after a period in the nominal Parliament from 1974, and became Attorney-General in the party shake-up last month.

Burmese suspicion that nothing has changed comes from Maung's links with Ne Win, under whom nobody with an independent spirit could survive, diplomats say. Seven years after Ne Win swept aside democracy in the 1962 coup, Maung wrote a prize-winning book that flattered the country's whimsical autocrat and came up with a forgive and forget peace-bitscience.

At the time Ne Win was having problems recruiting cadres for the Burma Socialist Programme Party and was swelled by a clause of the constitution giving it a large number of privileges.

Party members receive larger petrol rations, which they can sell on the black market for ten times what they paid. They have special shops, the goods from which can be likewise sold on the black market; their families can travel abroad more freely than can other citizens and they have access to cheap loans, land and top positions in an array of state-run corporations after retirement from the army.

Senior officers living in the comfortable compounds of Windermere and Golden Valley lead a life envied by the have-nots outside the party.

Observers of Burma also believe that army officers operating against the country's 12 ethnic insurrections augment their salaries by taxing goods being smuggled in from Thailand and along the old Burma road from China.

At the highest levels, the priviliges allowed Sein Lwin, for example, to take over an entire floor of a Philadelphia hospital last summer and for Ne Win to run a large estate in Bavaria.

The party's grip remains beyond material comforts. "It will take a long time to cast off the yoke of central-plan thinking," a Burmese close to the party said this month while economic reforms were being seriously considered.

The parliament holds two meetings a year for three days to approve laws passed to them by the party. The cabinet even became involved last year when Rangoon's crumbling but most stylish hotel, the Strand, needed approval to increase the price of its continental breakfast. The cabinet answered the request, saying

they had not risen, neither should the cost of breakfast, Burmese said.

More sinister is the role of the party's secret police. "If they do not get you, they arrest your family. They arrested me, my wife and our month-old baby because they could not get the person they wanted," said an exiled doctor in Bangkok this week.

This lengthening list of abuses lies behind the initial Burmese fears that the party is simply digging in and that Maung is not the man to save the country.

Senior officers living in the comfortable compounds of Windermere and Golden Valley lead a life envied by the have-nots outside the party.

## Pakistan tries to lay an era to rest

David Housego on a country's mood before it buries a president

They began shortly before Friday yesterday to dig the graveyard in which President Zia ul-Haq's remains will lie. A small group of workmen took their spades to uncover the turf in the centre of the vast grass-covered garden in front of the Shah Faisal mosque in Islamabad, in preparation for the state funeral today.

The general's remains will be the first to be laid before the giant mosque, which stands in almost open country under the Margalla hills on the edge of Islamabad. He was inaugurated just over a month ago. The decision to bury him here was taken last night after it had been seen that the funeral grounds in the general army headquarters in Rawalpindi would not hold the large crowds and foreign leaders expected today.

As the grave diggers went about their work, ministers, relatives, senior military officers, officials and curious passers-by chatted in groups. In the total absence of security precautions, it was difficult to believe that this was a country of which the president, some of the most senior military staff and the US ambassador had been killed in a terrorist attack only 48 hours before.

However, the tranquillity of the scene was characteristic of the way Pakistan has reacted to the disaster. There has been a noticeable absence of drama, in contrast with other crises in its history — the downfall of Zulfikar Ali Bhutto as



Pakistan's acting President Ghulam Ishaq Khan accompanies soldiers carrying the coffin containing Zia's remains

Prime Minister in 1977 or the defeat by India in 1971 when East Pakistan became Bangladesh, which brought emotional crowds to the streets.

Zia will be given a simple grave and probably no more than a tablet to commemorate him. As an Islamic purist this would have been his wish.

Islam, in pure doctrine, says

graveyards should be levelled every 40 years.

The forceful quiet of the lawns before the mosque obtains, for the moment, in all Islamabad and the other big cities of Pakistan. In Islamabad, shop and government offices are closed and the broad avenues mainly de-

serted.

The massive preparations for the funeral tomorrow notwithstanding, this does not seem like the quietness of a day of national mourning. Ministers chat with visitors in their homes, completely without the security measures that surround every member of the government in India.

It is as though the country has already turned from a chapter of its past and is not interested in posing uncomfortable questions.

Even so, the details now surfacing support the Government's view that the killing of President Zia and his senior military staff was part of what

## Indian relations remain at brink

By K.K. Sharma in New Delhi

INDIAN officials and analysts acknowledge that President Zia ul-Haq was a skilful diplomat who shrewdly handled the difficult task of directing relations with India.

For both countries, this has meant a course of brinkmanship for most of the time. Yet, no matter who might succeed the general, there is broad agreement that there will be little change in the strained relations between India and Pakistan for the future.

India and Pakistan have gone to war three times in the last 40 years and have been close to war even more frequently. The last time was early in 1987 when their troops were eyeball to eyeball. Even now, their armies are fighting an undeclared war on the barren Siachen glacier in the Himalayas.

Indeed, the relationship has been marked by so much acrimony, distrust and hostility that it is difficult to foresee any change no matter who is at the helm.

The relationship has deteriorated sharply in the past few months, mainly because of allegations by India that Pakistan is assisting Sikh terrorists in the turbulent Indian state of Punjab. This led Mr Rajiv Gandhi, India's Prime Minister, this week to threaten Pakistan with direct action — yet another example of the brinkmanship to which the two leaders often resort.

For its part, Pakistan alleges that the Indians are helping dissidents to create trouble in Sind and elsewhere.

They have taken few steps to improve their bilateral relations, including commercial ones. Trade between them remains minuscule. The burden of the arms race in the sub-continent is not expected to end, no matter who succeeds President Zia.

Analysts in New Delhi acknowledge that the general handled his defence strategy well. He used the US arms assistance to acquire costly F-16 fighters and other sophisticated hardware as part of Pakistan's policy of deterrence against a hostile neighbour which was militarily stronger.

The president also cleverly used Pakistan's own funds to make meetings between General Zia and Mr Gandhi, followed by talks among officials that are becoming rarer. Indians believe Pakistan made the "no-war pact" offer mainly to show the US that it wanted peace, so that it could attract a \$3.2bn arms aid package from President Ronald Reagan, as it did successfully in 1983.

India's air force is equipped with the latest fighters, obtained relatively cheaply from the Soviet Union, but it has had to spend enormous amounts buying Mirage 2000s from France and Jaguars from Britain as part of its policy to diversify sources of supply.

This is one of the main reasons for the fact that more than 30 per cent of the Indian budget goes on defence. Counters to General Zia's clever defence purchases have proved costly for India, but there is no sign that either country intends to cut such spending in this direction.

Concurrent with this runs what analysts call the game of "nuclear ambiguity" that both countries are playing. India has already demonstrated its ability to make nuclear weapons and has frequently said that the country cannot close its nuclear option. President Zia's deliberate statements and hints in recent years have made nearly everyone believe that Pakistan is also acquiring nuclear capability.

Independent observers of Indo-Pakistani relations feel the game of nuclear ambiguity will continue, although neither country is likely to demonstrate its capability. This is another example of President Zia's shrewd handling of his country's defence and foreign policies.

Yet another was his remarkable skill at creating a constituency in India. Few people outside India realise that there is a powerful and influential section which wants the government to make concessions and gestures to what they believe is a small, weaker neighbour.

The general charmed Indian visitors to his country by resorting to his famous "cricket diplomacy", visiting India to attend an India-Pakistan test match when Mr Gandhi was reluctant to receive him. Also, he gave Pakistan's highest civilian award to the ageing Mr Morari Desai, a former Indian Prime Minister, for his efforts to improve Indo-Pakistani relations, thereby suggesting that Mr Gandhi had done little in this direction.

## UK NEWS

## Amateurs go for snappy service

Maggie Urry focuses on the changing shape of picture processing

THE FIRST thought of millions returning from their summer holidays is to have their films processed. Happy snappers are impatient to see the results, perhaps to ease the pain of a return to work.

They are prepared to pay for a quick, high quality service. Increasingly, they take their films to mini-labs — high street shops which develop and print films on site, typically within an hour. These have sprung up at a tremendous rate and within a few years have taken nearly 20 per cent of the market.

The customer seems to be gaining from the competition. There is a wider choice than ever of processors and prices have fallen in real terms.

The market for developing and printing has been growing by about 5 per cent a year, but last year it jumped by more than 10 per cent, and is expected to be worth about £200m this year.

Many of the mini-labs are independent businesses and there has been a high opening



Tony Andrews

offering a cheaper service, with some estimates indicating that their share reached more than 50 per cent at peak. That caused the high street retailers to cut margins to regain their business.

Although the typical roll of film has a Christmas tree at both ends, according to Mr Colin Glass of Boots, the chemist chain, improvements in camera technology mean that amateur photographers are getting better pictures and are encouraged to take more. People are also having more holidays — the prime time for picture taking. About 85m rolls of film a year are processed in the UK and the number used per person per year is rising.

In the 1970s, when consumers were more concerned about price, the mail order photo processors were able to increase their share of the market by about 600 or 700 mini-labs are operating in the UK, of which 225 are owned by Boots and 200 are under the Kodak Express banner. Boots' share of the processing market has risen from 14 per cent a few

years ago to nearly 25 per cent, and it is opening a further 50 mini-labs a year. It also has six Boots Photo Centres.

Underwoods, the London-based chemist chain, does not operate any mini-labs. Mr Julian Greenaway, Underwoods' buying director, argues that a balance has to be struck between speed, quality and price.

Many of the independent mini-lab operators have been accused of poor quality processing. Boots' mini-labs in mainland UK are operated by staff from Kodak or Colourcare, LIG's photo-processing arm.

Kodak Express, which is not a franchise operation, has agreements with the shops carrying its name that require them to buy paper and chemicals from Kodak and submit to regular quality checks.

It seems likely that one-off or small chain independents are unlikely to be long term survivors without the backing of a similar major group.

## Dan-Air to fly to Paris, Nice

By Michael Donne, Aerospace Correspondent

DAN-AIR, which recently won the rights to fly between Gatwick, London, and Paris and Nice, will start services on both routes on October 23.

The routes were formerly flown by British Caledonian Airways, now taken over by British Airways.

Initially, Dan-Air will fly six round trips daily (Mondays to Fridays), and five on Saturdays and Sundays between Gatwick and Paris. It will fly the Nice route on Fridays and Sundays. Return fares will cost from £22 for Paris and £125 for Nice.

Mr Saseen Ahmer, Interior Minister, said the Government had received a warning from intelligence services three or four months ago that agents of the Afghan regime would switch their attacks in Pakistan from explosions in public places to VIPs. At that time, the general changed his car from a Toyota to a bullet-proof Mercedes.

Pakistani officials are coming to accept that those who carried out the attack must have had support within Pakistan's military and security forces. However, there is a reluctance to point the finger directly at members of the armed forces.

One answer, they believe,

might be a more intelligent kind of fire alarm, called the informative fire warning system (IFW), which displays messages on computer screens.

## Doubts raised over fire alarms

By David Fishlock, Science Editor

ON HEARING a fire alarm, people may take one to two minutes longer than necessary to evacuate a building, government researchers have discovered after watching fire drills.

Time is lost in the confusion over the spread of fire and by failure to respond rapidly to warnings, say scientists at the Fire Research Station in Borehamwood, Herts.

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One answer, they believe,

might be a more intelligent kind of fire alarm, called the informative fire warning system (IFW), which displays messages on computer screens.

However, IFW systems need a high level of sophistication to help rather than hinder evacuation from a congested corridor. Yet they believe IFW systems could assist crowd management, by directing evacuation and could alert people remote from an emergency.

The researchers say fire

drills provide a good simulation of human conduct.

They monitored six fire

drills, including one in a geriatric hospital fitted with an IFW system, which raised doubts about whether the sys

tem was capable enough to help rather than hinder evacuation from a congested corridor. Yet they believe IFW systems could assist crowd management, by directing evacuation and could alert people remote from an emergency.

Messages should be brief, the scientists say — no more than three or four words, preferably without abbreviations.

*Psychological aspects of informative warning systems. BR 127. Building Research Establishment, Garston, Watford WD2 7JR. £5.50.*

## FINANCIAL TIMES MAGAZINES

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## UK NEWS

## Building society mortgage loans at record £5.4bn

By David Barchard

MORTGAGE LENDING by building societies was £5.4bn in July, an all-time record for the industry, and more than £500m up on the June total, according to figures released yesterday by the Building Societies Association.

The high level of lending — more than 6% per cent above the figure for the same month last year — confirms that building societies are continuing to regain market share from other lenders.

However, the figures contained a hint that the mortgage markets may have reached their peak. Net new commitments by the societies were £5.3bn, or £200,000 less than in June, suggesting that mortgage lending is likely to slacken in the next few months.

The savings figures confirm the picture of the past nine months since the stock market crash. Small savers are still flocking to the building societies, preferring to place money with them rather than with unit trusts or share dealing schemes.

The net inflow of funds to the societies in July was £1.3bn, the second highest

## Cook seems to stumble over polling prediction

By Tom Lynch

MR ROBIN COOK, one of Labour's most effective front-line spokesmen and manager of the campaign to re-elect Mr Neil Kinnock as Labour leader, appeared to stumble yesterday in suggesting that a hung parliament was Labour's best hope for the next election.

At the same time Labour denied a report in the Scottish newspaper that Mr Cook had been "targeted" by the shadow Cabinet over his support for non-payment of the community charge, or poll tax, which is to replace domestic rates in Scotland next year and in the rest of the country in 1990.

Mr Cook has improved his standing in the party this year. As shadow Social Services Secretary he has won praise for his vigorous pursuit of ministers over the National Health Service, culminating in the recent splitting of the Department of Health and Social Security.

He has also shown increasing confidence in presiding over the re-election of Mr Kinnock and Mr Roy Hattersley, his deputy.

However, he was reported yesterday as saying it would be a "bold claim" to say Labour could "leap in one step from our present position to a clear majority in the House of Commons".

Later he said his argument had been that current polls did not show that the Tories would win an election called now. They would be beaten and Labour would take office in a hung parliament. Yet given the volatility of the electorate, it was impossible to predict what would happen in three years.

Labour Party officials yesterday took a relaxed view of his remarks, saying that Mr Cook had expressed a personal opinion. However, the controversy arose on the same day that the Scotsman claimed Mr Cook had been banned by shadow Cabinet colleagues from expressing support for the non-payment campaign.

The party's official line — as set out in a national executive committee statement to the October conference — is to conform with the law, while expressing sympathy with those who refuse. Mr Kinnock and Mr Donald Dewar, shadow Scottish Secretary, have both opposed non-payment.

Conservatives have tried to portray Labour as prepared to countenance illegal non-payment, while the Scottish National Party, which backs non-payment, has been scathing about Labour's failure to convert its electoral mandate in Scotland. It has 50 of the 72 seats — into tangible parliamentary gains.

Many MPs in the non-payment campaign as a blind ally, arguing that the power to determine wages and benefits renders any such protest pointless. However, there is strong resistance to the tax in Scotland, and several Labour MPs have said that they would not pay it.

The Scotsman yesterday said a row within the shadow Cabinet had ended with a compromise, suggested by Mr Kinnock, that Mr Cook would refrain from encouraging non-payment of the tax and would not discuss the matter with the press.

Labour yesterday denied that shadow Cabinet members had been targeted on any issue. Mr Cook could not be contacted for comment.

Mr Dick Douglas, MP for Dunfermline West, who in February resigned as convenor of the Scottish group of Labour MPs in protest at Mr Kinnock's opposition to non-payment, said on Radio 4 yesterday he would write to the party leader asking him to clarify Labour's decision.

## Imports push car trade deficit to £2.36bn

By John Griffiths

THE UK motor industry's balance of trade deficit jumped by 51 per cent to £2.36bn in the first five months of this year, provisional figures from the Society of Motor Manufacturers and Traders showed yesterday.

The main reason for the increase from a £1.56bn deficit in the same period last year, was a 35 per cent rise in the number of car imports, said

the SMMT. The year at just under £4bn.

The industry first went into a balance of trade deficit in 1978, since when it has been continuously in the red. All sectors were in deficit during the most recent period except for that including tractors, dump trucks, trailers and other non-mainstream products.

Exports of light commercial vehicles (up to three tonnes gross weight) were a growth

area, being up 22.3 per cent in volume and 33.3 per cent in value.

However, this was offset by the buoyancy of the UK market, which slumped in more imports. These rose by 20.6 per cent in volume and 27.4 per cent in value.

This was despite the loss of production from Ford plants earlier this year. Several European vehicle makers intend to get more components from the UK, said the SMMT.

## Depressing figures for domestic producers

John Griffiths analyses the market factors behind a sharp increase in car imports

UK MOTOR TRADE (Car)		
Five months ended May		
	1988	1987
Cars	768.0	793.1
Cars < 3 tonnes gvw	60.8	45.8
Other cars	114.4	107.0
Parts and accessories	1322.0	1166.6
Other products	415.0	369.2
All motor products	2680.1	2501.4
	Imports (M)	% change
Cars	2624.7	+30.6
Cars < 3 tonnes gvw	152.0	+19.3
Other cars	353.8	+47.6
Parts and accessories	1721.7	+12.5
Other products	193.3	+18.9
All motor products	5038.5	+24.2
	Trade balance	
Cars	-1888.7	82.7
Cars < 3 tonnes gvw	-91.2	-73.7
Other cars	-239.2	-132.7
Parts and accessories	-369.3	-343.4
Other products	-228.7	-209.6
TOTAL	-2357.4	51.5

Source: SMMT and Customs and Excise data

are expected to be sold this month alone, with a total for the year of around 2.2m.

In the first seven months of this year UK-built cars have accounted for only 45.25 per cent of sales, compared with just over half in the same period of last year. In the period covered by the balance of trade figures, car imports were up 34.7 per cent in volume. Registrations of traditional imports were up 11 per cent but imports of the UK-represented multinationals were up by 48 per cent.

As a consequence, it now appears that the industry's record trade deficit of £2.36bn for all of last year is going to be exceeded.

The SMMT itself gives three main causes why imports have grown so sharply this year: the unexpected strength of the market leaving the UK plants of the multinationals unable to supply enough cars; a two-week stoppage by Ford; and the strength of sterling against the D-Mark making it more attractive for multinationals to supply the UK market from the Continent.

Ford's director of public and governmental affairs, Mr John Southgate, said last night that Ford's 64,717 car imports in the first quarter — compared with 39,514 in the same period last year — were mainly to plug the supply gap left by the two-week strike and other stoppages which cost output of nearly 74,000 cars, commercial

and vehicles and tractors.

Without the stoppages, said Mr Southgate, "we should have been in a position to achieve a 75 per cent proportion of British-built vehicles in our total sales this year, with the possibility of exporting vehicles to the Continent in 1989/90."

He also stressed that Ford, the market leader, was also a substantial exporter of components and vehicles other than cars. However, several years ago Ford halted its former practice of publishing its own balance of trade figures, and it refused to comment on its current situation last night.

The UK car industry's export performance was also a disappointment in the first five months, for which the SMMT is placing considerable blame on the pound's rise, particularly against the dollar.

Rover Group's sales in the States in the US are running at only about half the previous year's levels, while Sir John Egan, Jaguar's chairman, said yesterday that he hoped to hold US sales at around last year's level of 23,000 although he pointed out that each 10 per cent change in the dollar-strenghtening ratio "cost us £25m on the bottom line."

However, says the SMMT, the ending of Peugeot Talbot's car kits exports to Iran halfway through last year and a one-off export shipment by Vauxhall to the Continent at the same time have also made this year's figures look worse than they otherwise would be.

## Study of discretionary trusts published

By Richard Waters

THE Inland Revenue has published its first study of the use of discretionary trusts for 13 years, but immediately denied that this represented the first step in a change to the tax treatment of such arrangements.

As at April 1986 property held worth £74m was held in discretionary trusts, representing 1 per cent of the marketable wealth of all individuals and trusts in the UK, estimates the Revenue.

"It shouldn't be interpreted that the publication of this study means there will be a change in tax law. But then again, it shouldn't be interpreted that there won't," said a Revenue spokesman yesterday.

Discretionary trusts, under which income from assets held in trust is payable only at the discretion of the trustees, are mainly used as means of spreading income around a

number of beneficiaries in the most efficient way for income tax purposes.

Their use in inheritance tax planning is restricted, since they are subject to a special inheritance tax regime. Assets in the trust are subjected once every 10 years to tax at 15 per cent of the full inheritance tax rate.

The Government has already announced a review of a number of areas of tax law relating to trusts, and may use this as a springboard to a thorough overhaul of the system.

Already under review are:

- Non-resident settlements. This will complete reviews already undertaken of the residence rules of individuals and companies, which together form one of the most fundamental recent overhauls of tax law. New residence rules for companies were enacted in this year's Finance Act, while highly controversial proposals

for change to the treatment of individuals were published earlier this month.

- Mixed settlements, under which there are both defined beneficiaries and also ones chosen at the trustees' discretion.

- The use of settlements set up for the benefit of children to avoid higher rates of tax.

- The use of trusts to transfer income from one spouse to another to avoid higher rates of tax.

The study of discretionary trusts was carried out by two economic advisers from the Revenue's 14-man central unit, which is responsible for advising on broad issues of tax policy. It covers the position of 35,000 discretionary trusts in 1986-87.

The study found that the value of assets held in the trusts at £74m was 70 per cent less than in 1978, the last time the Revenue reviewed the area. This decline may be due

## Anti-freeze prices driven up

By Steven Butler

A WORLDWIDE shortage of ethylene glycol threatens to make this winter a bit more dreary than usual, unless Britain is blessed with the near-hail-free climes of last year.

Ethylene glycol is the chemical in anti-freeze that helps prevent car radiators from freezing in cold weather. Short supply of the chemical has driven up anti-freeze prices and could lead to a scarcity of supply this winter should it be cold one.

Prices for anti-freeze have risen from an average of about £1.15 a litre to £1.25 a litre, by quoted quantities and in limited quantities. In addition, local and building accountants charge £400m, National Savings £270m, building society deposits £200m and bank deposits £200m.

Ethylene glycol is manufactured at about a dozen plants normally, but several of these have been shut down.

BP's plants in Antwerp and Germany have been undergoing repair and maintenance, and 22m of chemical stocks were wiped out in an explosion at the Shell refinery in Norco, Louisiana, in the spring.

## APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday for further information call 01-248 8000

Tessa Taylor  
ext 3351Deirdre Venables  
ext 4177Paul Maraviglia  
ext 4676Elizabeth Rowan  
ext 3456Patrick Williams  
ext 3694Candida Raymond  
ext 4627

## BANK HANDLOWY W. WARSZAWIE S.A.

Floating rate note issue of 30 million 1979/89.

The rate of interest applicable for the six-month period beginning on 11 Aug 88 and set by the reference agent is 10% annually.

## GRANVILLE SPONSORED SECURITIES

Company	Price	Change	div (s)	Yield	% P/E
126 Am. Brit. Ind. Anthracite	226	0	8.7	3.7	8.8
126 Am. Brit. Ind. CILS	226	0	10.0	4.2	4.2
40 Arvalite	37	-1	0.1	2.6	6.4
57 BBS Design group (USM)	40	0	2.1	5.2	2.5
125 Board Games	149	0	1.3	2.2	25.9
125 Board Games Div. Prof.	115	0	6.7	5.8	39.10
149 Brav Technologies	135	0	1.2	3.9	10.2
114 100 Esmeill Corp. Prof.	113	0	1.0	8.7	4.3
287 CCC Group (UK) Div. Prof.	267	+2	12.3	4.3	4.3
160 124 Corbo Plc (SE) Div. Prof.	160.4	0	14.7	9.2	4.2
151 100 Corbo 7.5% Pre Div	150	0	6.4	4.1	9.2
305 147 Daimler-Benz	305	+1	3.7	1.2	8.4
50 100 Daimler-Benz	95	0	—	—	—
87 Jackson Group (GB)	114.6	+2	3.4	3.0	12.6
350 245 Midland Bank (AmEx)	345	0	—	—	—
111 40 Robert Jenkins	111.1	0	7.5	7.1	2.4
438 125 Scruttons	415	0	8.0	1.9	37.7
233 19					

## UK NEWS — EMPLOYMENT

## Coca-Cola fixes date for talks with TGWU

By Philip Bassett, Labour Editor

**COCA-COLA** has asked for talks with leaders of the two unions decided to seek Acas' help to contact the company to see if any moves could be made over Wakefield.

Some union leaders and employers have reservations about the TUC's Bridlington inter-union disputes procedure for producing solutions to such disputes.

The involvement of women's equality believe it may be the first in a series of announcements, not only among the Midland's clearing bank competitors but also by other large employers.

It is not that employers have suddenly been converted to fighting for sexual equality. The driving force is changes in Britain's population which is presenting employers with a prospective recruitment crisis.

Acas may have little if any hope of renegotiating in any way the Wakefield agreement, but it will also talk to the company if necessary about the TGWU's industrial action, though the precise timing of next week's talks may limit room for manoeuvre on this issue. Both unions are likely to be invited in by Acas next week for preliminary talks.

In the TUC talks, the AEU abandoned its counter-charge against the TGWU when all sides accepted the TGWU's evidence that its industrial action did not constitute a breach of the TUC's Bridlington Principle 7, which precludes a union striking while an issue passes through the TUC's procedure.

## Tighter enterprise allowance rules on trial

By Charles Leadbeater, Labour Correspondent

**THE DEPARTMENT OF EMPLOYMENT** has launched trials of tighter procedures for entrants onto the Enterprise Allowance Scheme. For the first time applicants will be required to draw up business plans before they receive their £40 a week allowance.

The EAS, which helps unemployed people start their own businesses, was criticised ten days ago in a National Audit Office report which recommended the department should introduce a test of businesses' viability before people were allowed enter the scheme to become self-employed.

The report said the scheme, which last year took 106,000

## Bank is happy holding the baby

Michael Smith looks at the provision of nurseries by employers

**F**OR years it seemed like a lost cause. Mention the word nurseries to employers and the response was either a blank stare or vague expression of approval of their desirability some time in the future.

Rarely did the answer include a commitment of funds. The cost was considered too high.

All that could be changing. This month Midland Bank announced the creation of two nurseries for staff and indicated more would follow.

Promoters of women's equality believe it may be the first in a series of announcements, not only among the Midland's clearing bank competitors but also by other large employers.

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Creche campaigners are taking heart from the knowledge that Britain's peak for the provision of childcare was reached at the end of the Second World War when working women were valued and the authori-

ties responded accordingly.

It was not to last. Workplace nurseries were rapidly closed when men returned from the war to reclaim their jobs and it was another 30 years before facilities expanded significantly again, partly because of increased demands for women's equality.

Then came the recession of the late 1970s and the Inland Revenue delivered what many people felt would be a fatal blow when it ruled in 1984 that people should be taxed on employers' contributions to workplace nursery provision.

The net result — according to Caring for Children, the UK national report for the European Commission's Childcare Network — is that Britain has less than half the number of places in public nurseries that it had in 1945 and only 1 per cent of children under five are catered for.

This compares unfavourably with virtually all other European countries and cutbacks in local authorities mean a further fall is likely. Meanwhile, provision in private or voluntary nurseries is even less.

For most women the alternatives to nurseries — including paying for childminders or persuading family members to look after their children — are either unaffordable or unavailable.

As a result they lose income and promotion opportunities no doubt appeals to some

employers.

Ms Irene Robson, personnel officer, says severe recruitment problems at Spencer have been eased since the nursery opened: "For the first time I

have a waiting list for sewing machine vacancies."

Ms Penny Craig, adviser at Workplace Nurseries, says: "Nobody is ever going to make a profit out of running a nursery, but you have to weigh this against the staff lost by failing to provide a nursery."

Apart from reducing staff turnover, nurseries could also help to reduce absenteeism, cut recruiting costs, attract new staff and promote a progressive company image, says Workplace Nurseries. As the supply of school-leavers continues to dwindle, all those benefits will grow in importance.

It is no coincidence that

Midland Bank is among the first companies in the country to set up a workplace nursery. Each year the clearing banks together recruit more than 20,000 school leavers and will be among the hardest hit by the population changes.

The banks have each

announced schemes to improve

their recruitment potential

among women. For example,

within the past year, all have

either announced or imple-

mented plans to extend cheap

home loan schemes to

part-time staff, most of whom

are women. Once one bank did

it the rest quickly followed.

Now it promises to be opti-

mic that the same will happen

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## APPOINTMENTS

### Senior planning post at Standard Chartered

■ Mr David Mallett has been appointed deputy general manager, planning, at STANDARD CHARTERED BANK from September 19. He will assist Mr Rodney Galpin, executive chairman designate, in a full review of the group's corporate strategy and organisation. Mr Mallett joins

as a non-executive director. He was a partner in charge of the gilt edged department at Barclays de Zoete Wedd.

■ TILBURY GROUP has formed two divisions at Tilbury Construction. Mr Ray Foster has been appointed managing director of the civil

engineering division, and Mr Eric Paradise becomes managing director of the building division. Mr Paradise retains his post as managing director of Tilbury (City).

■ Mr Philip Williams, Mr Fred Graham and Mr Roger Emberton have been appointed technical directors of W.S. ATKINS CONSULTANTS.

■ INSTEM COMPUTER SYSTEMS, Stone, Staffordshire, has appointed Mr Roger Turner as projects director for its operations subsidiary, Instem Computer Systems. He was divisional manager at Logica (Energy and Industrial Systems).

■ Sir Ronald Ernest Dearing

has been appointed a board member of ENGLISH

ESTATES for three years from August 17. He was chairman and chief executive of the Post Office 1981-87.

■ STREETS

COMMUNICATIONS has appointed Mr David Pappin

MASSEY-FERGUSON TRACTORS has appointed Mr Nicholas Crighton (above) as personnel director at its Coventry plant. He joins from the Peugeot Talbot Motor Co. This is the first time the company has made a personnel appointment at board level. The company is a unit of the Varsity Corporation, Canada.

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# FINANCIAL TIMES

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Saturday August 20 1988

## Anglo-Saxon parallels

IT IS A curious world. On Tuesday the US announced worse-than-expected trade figures - a deficit in June of \$12.5bn compared with market guesses of around \$11bn. The world's central banks then spent the rest of the week selling dollars in an effort to curb further appreciation of the US currency. The co-ordinated intervention was a timely reminder that all interest in economic co-operation has not evaporated just because the US is gearing up for a presidential election. But it really should not have been necessary. If the markets did not always take such a short-term view, they would recognise that the dollar rebound of recent months has been excessive.

In January, the new President will inherit an external debt of perhaps \$500bn, an annual trade deficit of at least \$120bn, and a rapidly rising shortfall on invisibles. Many economists doubt whether these imbalances can be scaled back significantly even by the early 1990s. Some softness of the dollar thus looks inevitable; indeed, the longer the dollar takes to reverse its recent rise, the further it may eventually have to fall.

The flurry of UK statistics released this week, unlike the US trade announcement, took nobody by surprise. The record £3bn increase in bank lending in July, the £1.7bn public sector debt repayment, the 2 per cent surge in retail sales, and the rise in inflation to a whisker under 5 per cent merely confirmed the extraordinary strength of domestic demand. The benign consequences of this buoyancy were further underlined by the 24th successive monthly fall in unemployment and another surge in manufacturing investment and output.

### Lowest level

Unemployment, at 8.2 per cent of the workforce on the official definition, is now at its lowest level for seven years. Manufacturing output, which has risen nearly 7 per cent since last year, has at last topped the previous peak set in 1974.

What the recently released statistics confirm is that the problems faced by the US and UK economies are now strikingly similar. Both face worryingly large external deficits, reflecting the fact that demand in each country is expanding considerably faster than the potential growth of supply. Both are beginning to face capacity constraints. In the US capacity utilisation rates exceed 85 per cent in many sectors while the unemployment rate is below 5 per cent in

almost half the states. Wage and price inflation is creeping higher. The central banks in both countries are tackling excess domestic demand by raising interest rates. And in each case this is causing temporary exchange rate strength, creating tensions in the foreign exchange markets and threatening to undermine efforts to curb the trade deficits.

Admirers of Mr Lawson's policies tend to deny that the UK and US have much in common. The Reagan and Thatcher administrations, it is conceded, have both championed free markets, deregulation and tax reform. But the parallels end there: such micro-economic similarities are easily outweighed by the quite different approach to macroeconomics. Thus while tax policies in the US led to the largest ever peace-time federal deficit, fiscal restraint in the UK has created a budget surplus. Likewise, while Britain has amassed foreign financial assets on a scale last seen under Queen Victoria, the US squandered its foreign capital and turned itself into the world's largest debtor nation.

### Consumer behaviour

What such an analysis ignores is the strikingly similar behaviour of the British and American consumer. The current account deficits in both countries have been caused by a shortfall of domestic savings. In the US the causal role of the federal deficit has been greatly exaggerated. It has been substantially offset by state surpluses. In any case, between 1979 and 1987, the decline in private saving was as important a source of the overall saving shortfall as the rise in federal borrowing. Since 1986 the budget deficit has been declining as a percentage of GDP, just as it has in the UK. In other words, public sector savings have been rising. The trade deficit failed to narrow in 1987 because private savings continued to fall relative to GDP and investment.

The Anglo-Saxon economies' desire to live beyond their means transcends temporary differences in attitudes to public sector borrowing. The UK and US have reacted in fundamentally the same way to the enhanced credit opportunities provided by the liberalisation of international capital markets: they have borrowed more. The surplus countries, by contrast, have opted to lend more. At some point there will have to be a reversal of roles and it is unlikely to be brought about merely by a tightening of monetary policy in London and Washington.

### MAN IN THE NEWS

#### Bill Hayden

## Working class kid still enjoying the ride

By Chris Sherwell



again in 1977, Bill Hayden became party leader, largely in the absence of anyone else. But when Bob Hawke became an MP in 1980 and Labor had again tasted defeat, Mr Hayden's future was clearly on the line.

The story of how his colleagues knifed their leader in the back and united behind Mr Hawke on the day Mr Fraser called the 1983 election is now part of Australian political folklore. So too is the way Bill Hayden went - decently, for the sake of the party.

But there was a price: the Foreign Ministry. The opposition Liberal and National Parties say the governor-generalship was another, calling it "the final expiation" of Mr Hawke's guilt over the political assassination of Mr Hayden.

Mr Hayden's record as Foreign Minister is a matter of debate. Mr Hawke gave Mr Hayden great latitude, but the results are hardly dramatic:

foreign policy has gained a much-needed economic orientation and Australia's role in the Western alliance has been maintained.

Bill Hayden is something of an enigma. On one hand he is a man who, despite his background and partial deafness, is highly articulate, has a wide knowledge of public affairs, is a master of difficult briefs, and possesses an ego big enough to carry burdensome responsibilities. On the other he is a man with a chip on his shoulder, an occasionally excessive sense of self-doubt, and a bitterness about his treatment at the hands of his colleagues which has only recently melted.

He has travelled the world endlessly, almost indolently, as Foreign Minister, but he never ignored the domestic political implications of his job. He cultivated relations with the Australian press, earning their respect and support for his frankness and openness.

When Labor was defeated

**Stewart Fleming and Lionel Barber report on the troubles mounting in the way of the Vice President's campaign to reach the White House**

## George Bush stumbles in the limelight

**F**or the past eight years, Ronald Reagan has made patriotism the leitmotif of his presidency. At this week's Republican convention in New Orleans, Vice President George Bush hoped to make the Reagan theme of pride in one's country his very own.

Invoking God and country has rarely lost an election. But winning one requires a good deal more, as Mr Bush was well aware yesterday when he hit the campaign trail in Huntington, Indiana, the hometown of his running mate, the little-known 41-year-old Senator, Mr Dan Quayle.

Handsome, blond and energetic, Mr Quayle seemed to match Mr Bush's description of him as "a leader for the future." But Mr Bush's advisers had not looked closely enough into his past.

In 1969, Mr Quayle admits, he used personal contacts established through his wealthy newspaper publishing family to join the Indiana National Guard and serve in the US - at a time when many young men like him found themselves fighting in Vietnam.

Those were the days when the fighting was at its height and the war so unpopular at home that many young Americans, to avoid being drafted into the army, competed with each other for ways to satisfy their military service requirements without going overseas.

The National Guard was one option because President Lyndon Johnson had issued an order in 1968 that National Guardsmen should not be sent to Vietnam. As many Republicans said yesterday, there is nothing dishonourable about being a member of the National Guard, a force which, before the Johnson ruling, saw active combat in Vietnam. But for the most part, the National Guard was what it remains today: a national defence force, which can be deployed in times of civil disorder or natural disaster.

Vacancies in the Guard were hard to come by in 1969, but Mr Quayle, who had just graduated, was able to secure a clerical job as public information officer and go to law school at the same time.

Why does this matter? As they left New Orleans yesterday, many of the 2,000 delegates said it was irrelevant. They accused what they saw as a biased, news-hungry press of trying to torpedo Mr Bush's campaign.

Senator Alan Simpson of

Wyoming said: "What is real hypocrisy is to watch some pontificating, powdered pooh on TV asking Dan Quayle questions, and know that person was hiding out during the Vietnam War carrying a Vietcong flag."

Yet his Republican colleague, Senator John McCain, who was shot down over Hanoi, spent 5½ years as a prisoner of war and was subjected to torture, voiced the sentiments of many Vietnam veterans: "If there was some manipulation of the process that gave him some advantage over others, then I think it is a serious political problem."

**M**r Quayle is also a special case. He is running for Vice President. He boasts about being an expert on defence. He is running for a party which puts patriotism at the top of its priorities. And he is one of the heirs to a \$40bn publishing empire in Indiana.

As Mr John Chancellor, the veteran commentator for NBC News, said: while Mr Quayle was serving his country at home, thousands of ordinary Americans, blue collar and black kids not from privileged backgrounds, were dying for their country. There are important political principles at stake here," he added.

It was never meant to be like this. It is the Democrats whose conventions have in recent years been disasters. Every year remembers the riots in Chicago in 1968 and Senator George McGovern's botched selection of Senator Thomas Eagleton of Missouri as his running mate in 1972.

The Republican National Convention, set in the 90,000-seat Superdome in the steamy city of New Orleans, was all set to be the most carefully choreographed in history. Ethnic groups such as Hispanics and blacks were to be allocated speaking time in proportion to their share of the national population.

At first it was just little snags. The sound system did not work properly. There were "dead spots" in the hall - for which the management apologised in writing on the press room wall.

Then came the question of the running mate - which evokes memories of a similar disastrous choice in the 1984 presidential election. Then, Mr Walter Mondale, trailing badly in the opinion polls, turned in desperation to a similarly untested politician, Congresswoman Geraldine Ferraro of New York City, and made her

Because of this, it was assumed he still hankered for the number one job. Acceptance of the governor-generalship marks his final recognition that this will never happen.

Typically, he says he will not wear formal clothes, will probably dispense with the Rolls-Royce and will not accept a knighthood. Although he says he will avoid political controversy, he also insists he will address "matters of social commentary."

Predictably, many people are asking whether a 1975-style crisis could occur under Mr Hayden. He has already made it clear he would not depart from British practice and would act on the advice of the Government. But he has also acknowledged that the ingredients for a constitutional clash, namely the blocking powers of the Upper House, and the reserve powers of the Governor-General, remain in place.

So what of those republican sentiments? "I think we've all got a past to live down somewhere or other, and the odd aberrant comment that crops up. But I'm sustained by the many instances recorded in the Bible of people who redeem themselves as life goes on."

He readily betrays his sense of awe at his ascendancy. Musing on the idea before the announcement, he said: "I suppose it would allow my wife, my children, my grandchildren the opportunity to say - well, the old chap came from South Brisbane without much hope and from that sort of family background, and look where he ended up."

His cynical former press secretary, who saw Mr Hayden's move to the Foreign Ministry as the choice of a man "determined to remain a first-class passenger on the Bob Hawke steamroller," is more blunt about his latest appointment: "effective, able, sincere, decent, yes. All that, and more. But still a first class passenger enjoying the ride and the perks and the pay."



The Republican team: George Bush and Dan Quayle and (left) Mrs Bush

voters. Some even suggested that his youth would make the 64-year-old Mr Bush look more of a statesman.

Yet critics soon pointed out that the demise of previous "generational candidates" such as Senator Joseph Biden of Delaware and former Senator Gary Hart of Colorado had raised questions about whether such political creatures existed anywhere except in the creative minds of some American politicians.

"Pouring out his soul," as his friend Mr Nicholas Brady, the designated US Treasury Secretary, described it, Mr Bush declared: "Some people who are enjoying our prosperity have forgotten what it is for, but they diminish our triumph when they act as if wealth were an end in itself."

He added: "There is graft in City Hall, greed on Wall Street, influence peddling in Washington. The fact is prosperity has a purpose. I want a kinder, gender nation."

**T**here are words in which Mr Dukakis would find little to dispute. He would, however, disagree with some of the more conservative views which Mr Bush, with one eye on the past and the other on the ballot box, is parading: his obdurate opposition to tax increases, his anti-abortion stance, his opposition to gun control, and the harsh criticism of the Carter administration's management of the US economy.

Mr Bush made clear that he does indeed have a different vision from President Reagan of where the Republican Party should lead the nation. "I do not hate government," he told an audience which has listened to Mr Reagan regularly score

very personal decision on the selection of his running mate.

Mr Bush has a history of choosing as his closest associates men of similar background and breeding. In this case, at least one of his top advisers supported Senator Dole but backed off when he recognised that personal chemistry was vital. Having stepped out of the shadow of one towering political figure, Ronald Reagan, Mr Bush waited and needed the whole limelight for himself.

Now, just as he has seized the opportunity to step into the limelight, the focus is on his running-mate. The most serious problem for the Bush campaign is that Senator Quayle's difficulties will obscure the message which the Vice President wishes to put across.

As Mr Baker conceded on Thursday night, the events of the past 48 hours have "cost some" to the campaign. He is said to be hopeful that the controversy will die down over the next two days.

On Thursday evening, one Bush campaign aide was seen crossing the convention floor in tears. If any new revelations emerge damaging to Mr Quayle then he will have to go. The campaign simply cannot afford to ride out a continuing controversy which is burying the Bush message.

Even without new disclosures Mr Quayle's future is in the balance this weekend. So too is Mr Bush's. Whatever happens to Mr Quayle, the Vice President has suffered a grievous blow - one which could be decisive in what was already shaping up as a tight election.

## THE HEAVENS

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A.H. Hermann recalls the Soviet invasion of Czechoslovakia, 20 years ago

# When the generals came to the castle

**T**hrough the haze of 20 years, the mental picture of the ten days starting on August 16 1968 comes out clearly, perhaps too clearly for comfort. I can see myself passing between the two baroque giants that flank the final gate of the Prague Royal Castle, and running up the formal staircase. The staircase and the first row of reception rooms were deserted but for guards at the door leading to the large oval room.

Entering that room was like moving into a Kafkaesque dream. President Ludvík Svoboda and three other men stood in the centre, forming a small quadrangle, lonely and lost in the vast dimly lit space. The old soldier watched me with a somewhat ironical smile as I clumsily negotiated the distance. I thanked him for the inviting me to the reception, given in honour of Romania's President Ceausescu and said: "At the Financial Times, we all wish you good luck."

The contrast between the lonely figure of the President and the throng of the crowd milling in the next brightly lit room could not be greater. What struck me even more was the colour of the crowd: it was green with the gold braided uniforms of Soviet generals. The curtain was raised on the last act of the Prague Spring, revealing that the play would have a brutal end.

Throughout the year a struggle had been going on in Moscow. A faction of the party wanted a political solution to the threat posed by the Prague Spring. They were not completely out of sympathy with an economic reform which would increase the efficiency of the Czech economy as a supplier of industrial equipment, as long as they could keep matters under control.

The marshals wanted only one thing: to move the Red Army into Czechoslovakia, the only member of the Warsaw Pact that had so far successfully resisted the stationing of Soviet units on its soil. During the summer of 1968 Alexei

Kosygin, the reformist Soviet premier, spent a fortnight in Karlovy Vary, the west Bohemian spa. He was trying to restrain the Czechs — who were talking their heads off without doing in fact very much — and to calm down Walter Ulbricht, the East German party boss, who imagined the Czechs were doing more than they said and was frantic with fear that his well disciplined but unhappy Germans could be infected by the Czech bug of freedom.

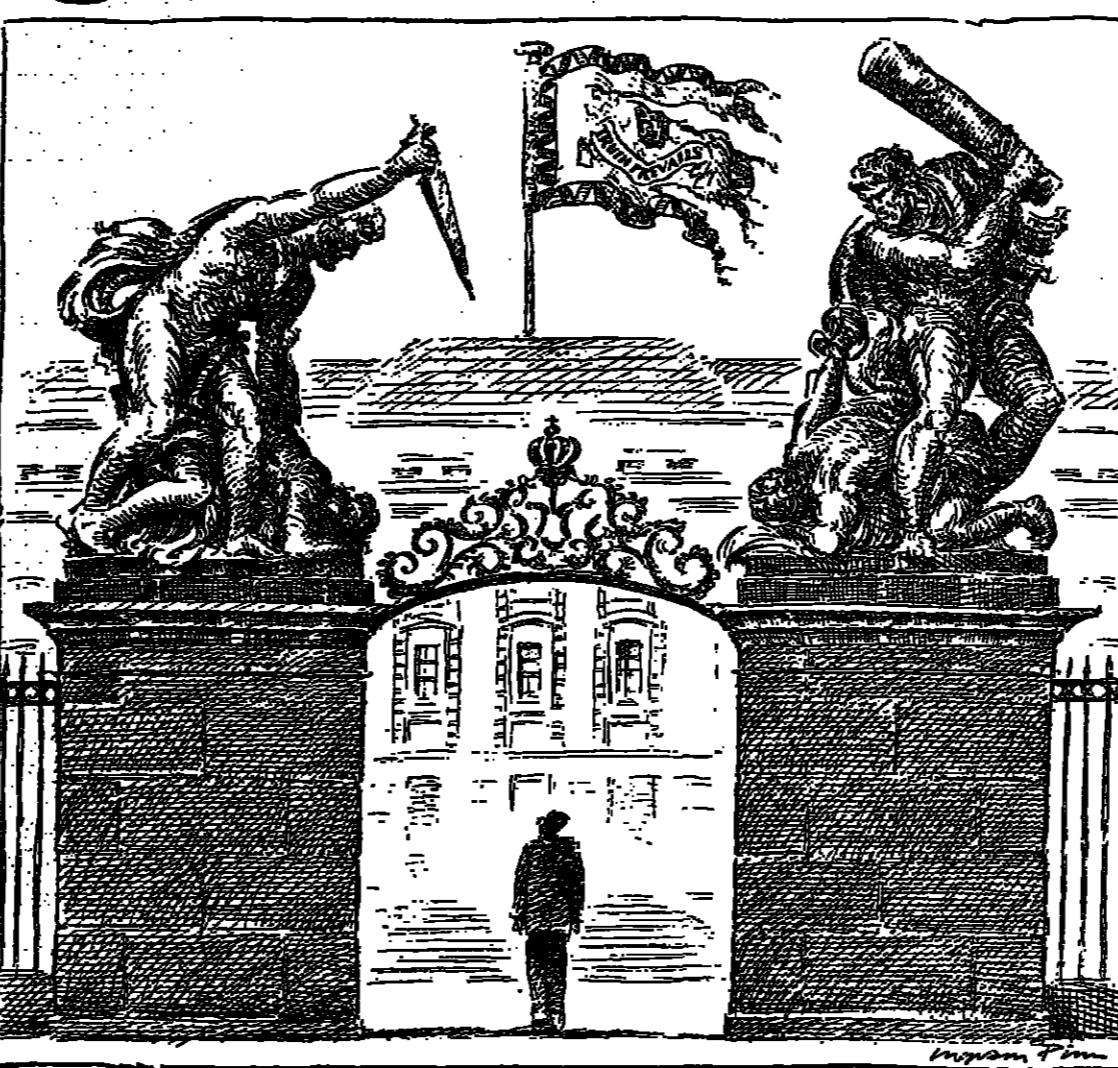
Meanwhile, the other Soviet faction sent General Yevstichiev, the political chief of the Red Army, to make sure that the Czech high command was loyal to Moscow rather than to Prague. He made no secret of the intention of Soviet marshals to move in, if necessary.

Aware of these intentions, the Czechs resisted Brezhnev's pressure to hold Warsaw Pact exercises in Czechoslovakia. In the end Dubcek agreed. After the exercises ended on July 1, Soviet "signal units" stayed behind in Czechoslovakia.

The Czech reformers knew then that only a miracle could save them.

A month later, it looked as though the miracle had happened, when the Soviet and Czech party leaderships met in Černá, a railway station on the Soviet border with Slovakia. After shouting and abusing Dubcek, President Svoboda, and the entire Czech Politburo for the best of two days, Brezhnev suddenly calmed down and agreed to another meeting. Prague optimists attributed this to letters received in Moscow on July 30 from Marshal Tito, President Ceausescu and 18 western communist parties, demanding that the Soviet Union cease to interfere in Czech domestic affairs.

The real reason for Brezhnev's sudden change of mood was, however, Dubcek's agreement to drop General Václav Procházka, the political chief of the army, who wanted to put the army on the alert, as a defence against the threat from Moscow. He could hardly have hoped for a military success; rather,



he banked on the reluctance of the Soviet Union, threatened in the Far East, to start a war in central Europe, and to risk the retreat of the million-strong Czech army into West Germany.

Procházka's dismissal put an end to those Soviet fears. The signal units were in position to guide the Red Army's fast moving tanks and infantry, whenever they chose to move across the border. The Czech army could be locked up in its barracks without ammunition by its generals. The gate was wide open. And the Soviet generals, as I could see standing on the threshold of great hall, had arrived, and were enjoying the President's hospitality in the proud and beautiful castle of Czech kings.

But the Soviet Union was unwilling to provide the necessary hard currency. Throughout 1968, unblushing Soviet pressure for the delivery of the pelletisation plant and

I felt I had seen enough. But before I could leave, Jiří Hájek, the Foreign Minister, grabbed my arm and led me in. I got into conversation with Oldřich Černík, the Prime Minister, a pragmatic exponent of heavy industry, the sector greatly favoured and subsidised on Moscow's orders. But recently Moscow had been demanding that Czechoslovakia deliver more and more steel mills equipped with British computers and West German machinery as well as a gigantic pelletisation plant for concentrating iron ore which could be built only with a licence from West Germany's Metallgesellschaft.

But the Soviet Union was unwilling to provide the necessary hard currency. Throughout 1968, unblushing Soviet pressure for the delivery of the pelletisation plant and

4,000 Tatra lorries was the background to the public Soviet displeasure with the Czech press.

The radical reformists were represented in the government by Ota Sík, the deputy prime minister in charge of the economy. Seeing him standing alone, I approached him and asked how things were. "I can tell you no more," he said, "no one talks to me any more, neither about economic reform nor about the political situation."

I believed him. In January 1969,

Dubcek started the Czech pere-truka by telling the collective farmers that they, and not the Party bureaucrats, knew best what to sow and when. But when he did not proceed immediately with purging the Party apparatus, Sík became very impatient. His radical and highly inflammatory speech to a

meeting of Czech journalists brought to an end the self-censorship practiced since the Communist takeover in 1948.

This enabled Stalinists in the Party establishment, the secret police and the army, to seek support in Moscow before Dubcek could consolidate his position at home and abroad. The Prague Spring became all glasnost, with various factions of intellectuals trying to outdo each other in radicalism, unsupported by any kind of real power. Dubcek, an obviously decent and well meaning man, became a popular hero before he had the power and time to act. Not a very decisive character, he oscillated between the radicals and the conservatives, between the domestic clamour for freedom and economic efficiency and the Warsaw Pact's opposition to such novelties, which was skilfully and deviously orchestrated from East Germany.

An East German journalist approached me as I partied from Sík. He asked me, rather glibly, what I thought about the declaration of the foreign ministers of France, Britain and West Germany that they viewed the Czech developments as an internal matter of the Warsaw Pact. "It is like Munich, delivering Dubcek on a silver platter," he said. "What remains of Munich?" I reported, "are the still pictures of American tanks taken from the western film *A Bridge Too Far*, shot near Prague, which has been used by your press as evidence of the presence of US army units in Czechoslovakia. Who on earth can be inventing such lies?"

The answer was prompt and surprising: "The same people who as Nazi journalists invented the Soviet military airports on Czech territory in the pre-Munich summer of 1938."

Returning from a weekend in the country, I found Prague remarkably quiet. On Tuesday, August 20, Rude Pravo, the Communist Party newspaper, appeared with a old-style leader, glasnost forgotten — which led me to say in my afternoon commentary on Radio Canada that the collapse of the Prague reforms was imminent. The same day in the evening, Soviet tanks began to roll into the country, meeting no resistance and stopping 50km short of its western frontiers.

Later in the night, with some inside help, the Soviet air force started to land one troop carrying plane every minute at Prague airport. A commando unit kidnapped Alexander Dubcek, Oldřich Černík and two other members of the Politburo. A few days later, they reached Moscow in a state of shock, after

they had been exposed to all sort of humiliations under way and in a prison in Lvov.

When President Svoboda refused to appoint a puppet government, he too was taken to Moscow, but refused to talk without the kidnapped leaders. In the end, on August 26, they all signed a capitulation. It was not so much about ideology and reform as about the acceptance of the occupation, re-introduction of press censorship — and the delivery of the pelletisation plant and 4,000 Tatra lorries.

Overnight, the invasion turned a Prague Spring that had mainly been a concern of the intellectuals into an unarmed national uprising — one that drew on the spiritual heritage of the fifteenth century Czech protestants who kept the Catholic armies at bay for 16 years. Their 1968 descendants, however, apart from throwing stones and setting one tank on fire, mainly confined themselves to noisy demonstrations. An improvised session of the 14th Party Congress voted full support for the reform and the reformist leaders held in Moscow.

Some of the bewildered Soviet soldiers, unused to public protests and to being told that they were sent to suppress the real, humane, communism, lost their heads and started shooting. The disarmed Czechs answered with graffiti on the walls: one, particularly memorable, would today appeal to Mikhail Gorbachev. It read: "Lenin wake up, Brezhnev has gone mad."

The answer was prompt and surprising: "The same people who as Nazi journalists invented the Soviet military airports on Czech territory in the pre-Munich summer of 1938."

The sceptical Czechs may yet be in for a pleasant surprise.

The author was FT correspondent in Prague from 1964 to 1968. He is now the paper's legal correspondent.

## EVENTS OF 1968

- January 5 Party dissatisfaction with First Secretary Antonín Novotný leads to his replacement by Alexander Dubcek.
- February Dubcek promises "widest possible democratisation". Ota Sík calls for radical economic reform. Press censorship ends.
- April 5 General Ludvík Svoboda elected President.
- June Warsaw Pact exercises in Czechoslovakia.
- July 28 Czech and Soviet leaders meet in Černá.
- August 20/21 Soviet army invades Czechoslovakia. Czech leaders abducted to Moscow.

Watching the sea of green uniforms,

## LETTERS

### The rest are outsiders

From Mr Toby Eckersley.

Sir, A.H. Hermann, your legal correspondent, points out: (August 18) that "many wise people express 'doubt' as to whether the insider trading legislation can be enforced."

What is astonishing is that so few people express doubt as to whether insider trading is in fact undesirable.

Consider two propositions dear to Adam Smith:

• An efficient market is one in which prices are adjusted with minimum delay to changed circumstances;

• The more deals that are done by those with knowledge of changed circumstances, the better is adjustment achieved.

What is required for injustice to be minimised is that all participants in the market

have knowledge of the true beneficiary of deals at the moment they are being done. This may be hard to achieve within the constraints of the City of London's traditions and the "globalisation" of securities markets, but it would be a healthier route to pursue than the current farce of legalisms and litigation.

Anyones in the City — especially someone who has just come back from an "analysis" lunch — is an insider; the rest of us are all outsiders. That is partly why we rely on unit trust managers to use their knowledge and speed of dealing to get the best performance for us. Long may such insider trading continue.

Toby Eckersley,  
30 Berryfield Road, SE17.

### Beset by gilt

From Mr R.P. Wilkinson.

Sir, Simon Holberton (August 10) makes the point that for 300 years the gilt market has been a key arena for the operation of the UK government's monetary policy.

From the post-Second World War years to the mid-1980s one of the cardinal monetary principles was that primary control of the money supply was through the sale of gilts to the non-bank sector.

At the same time, long-term control of inflation was achieved — in that another tenet of monetary theory was that any increase in money supply was bound to be followed, sooner or later, by an increase in inflation.

Certainly the expressed intention of the Government in raising interest rates is to curb inflation, except that in not selling gilt-edged stock at the same time — and if monetary theory is correct — there are longer-term inflationary implications. Probably higher interest rates will attract savings. Given the private investor's

disenchantment with the equity market (no gilt-edged offerings, lack of privatisation issues), private savings will tend towards bank and building society deposits.

The former must entail a higher level of lending and — given no gilt-edged sales — the latter will have the same effect. Private citizens who believe that by lending their money to a bank rather than spending it, demand-push inflation is being reduced, are doing no such thing. Demand is transferred to the ultimate borrower of those savings.

Unless persuaded otherwise, I am forced to conclude, Sir, that in the absence of gilt sales, the thrifty private citizen is fueling inflation and adding to the money-supply.

At the same time, of course, sales of gilt-edged stock funded UK government deficit. Now — if the Government does not need to sell gilts because it has no public services borrowing requirement (PSBR), is its blunt-instrument interest rate policy exactly the same as that which would be required if it had to sell gilt-edged?

Certainly the expressed intention of the Government in raising interest rates is to curb inflation, except that in not selling gilt-edged stock at the same time — and if monetary theory is correct — there are longer-term inflationary implications. Probably higher interest rates will attract savings.

Given the private investor's

high interest rates necessary to sell gilts dampened demand, reduced inflationary pressure and also the supply of money. Sooner or later the inflation rate was reduced — hence the theory was vindicated.

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Given the private investor's

increases will average just over 30 per cent, with some reaching almost 50 per cent. But she did not make clear that these increases would be each and every year during the proposed transitional period from 1990-1995.

It was against the background of such threatened increases that the Department of the Environment took ad-

tional powers during the passage through Parliament of the Local Government (Finance) Act to extend the phasing-in period beyond 1990-5 to put a maximum annual percentage increase on the rates.

David Boddy,  
Market Access International,  
Livingstone House,  
11 Carteret Street, SW1.

From Mr David Boddy.

Sir, In her article on the impact on national retailers of rates and revaluation (August 5), Maggie Urry cited figures produced by this company during our research for 10 national retail groups, into the impact upon them of the unified business rate and revaluation.

She states correctly, that our figures show that rates will

develop along federal lines if it had been given a chance — Abdullah's forces grabbed the land to the west of the Jordan which had never been mandated to him by the UN Resolutions, and which had never been part of the territory controlled by the Hashemites.

This "unlawful" grab was never recognised by the international community, therefore the Jordanian control of the West Bank was only *de facto*, never *de jure*. When Abdullah annexed that region in about 1950, only two sovereign countries out of the whole community of nations ever accorded formal recognition to that annexation — and neither of them was an Arab country.

In the ensuing war waged by the surrounding Arab states against the new state — which would otherwise probably have

been given a chance — Hussein, caused his army to renew its unsuccessful military campaign against Israel, his forces were pushed back to the 1948 borders.

Thus, it is clear that the West Bank (or Judea and Samaria) has been back in Israel's hands (not, admittedly, yet fully integrated into the political institutions of Israel) for 21 years, in other words, longer than the temporary and unlawful attempt to integrate it into the Hashemite Kingdom.

Furthermore, it is wholly inaccurate to refer to the territory in question as "most of" Jordan. The entire area of the Kingdom of Jordan is 37,700 square miles, so that the West Bank land represents only about 10 per cent of the Hashemite Kingdom.

Roger Morris,  
Laurus Grange,  
17 Uxbridge Road,  
Stanmore, Middlesex.

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Brussels 0225 5339999	7.00	7.00	Yearly	Inst. or £10K 6.75% + bonus	
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## UK COMPANY NEWS

Dublin-based investment company to develop cash and carry chain

## Fitzwilson buys Roy Hall group

**By Kieran Cooke in Dublin**  
**FITZWILTON.** the Dublin-based industrial investment company headed by Mr Tony O'Reilly, the chief executive of the US Heinz group, has announced plans to take over the UK Roy Hall Cash and Carry operation.

Fitzwilson is to acquire 85 per cent of Roy Hall for an initial cash payment of £6.8m. An additional £200,000 will be paid by Fitzwilson based on Roy Hall's year-end profits.

The Roy Hall group, based in Manchester, had pre-tax profits last year of £333,000. Fitzwilson says it plans to develop a chain of cash and carry warehouses in Britain based on the style of operation which Roy Hall has pioneered.

Fitzwilson also announced yesterday that it aims to raise £23m through the listing of 15m new shares. Fitzwilson has long been rumoured to be poised to make a takeover bid for the Watford Glass group. At present Fitzwilson has considerable cash at its disposal

but few assets.

Mr O'Reilly has a 10 per cent holding in the company. Other shareholders include some of the world's wealthiest individuals, such as Mr John Werner Kluge of the US Metromedia Company, Mr Lennart Bylock, a Swede whose Bylock Group has interests in transport, shipping and paper pulp. Mr Suliman Saleh Olayan, a Saudi Arabian businessman, whose net worth is estimated at £2bn and Mr Paul Demarest of Canada, who has a variety of interests in newspapers, transport and financial services. Mrs Ann Getty, the wife of Mr Gordon Getty, is also believed to be poised to take an interest in Fitzwilson.

Mr O'Reilly, who in addition to being chief executive of Heinz, is also head of the Dublin-based Independent newspaper group, is one of Ireland's best-known businessmen having first come to fame as one of the country's more accomplished rugby players.



Mr Tony O'Reilly: "We will be in the front office for the guys who will revolutionise Europe."

Mr O'Reilly says that Fitzwilson will grow by acquisition and sees the company as a vehicle for promoting US investments in Europe. He said in a recent interview.

See Lex

leasing, distribution and financial services sectors. "We will be the front office for the guys who will revolutionise Europe," he said in a recent interview.

See Lex

## SHT goes for further US growth

**By Vanessa Houlder**

**SCOTTISH HERITABLE Trust,** the York-based industrial and property group, has moved further into the US with the acquisition of a 28.14 per cent stake in Rangeair Corporation, a Texas-based diversified industrial company, for \$8.13m (£4.78m).

SHT described the stake as a long-term investment but said that move to a full bid was possible once it had investigated the company more fully. The shares were bought from the chairman of Rangeair.

Traded on the NASDAQ three divisions encompassing limestone processing, the manufacture of lighting fittings, cooking hoods, compact freezers and refrigerators. It is a supplier of private-label appliances to national retailers and is a general contractor in the Dallas-Fort Worth area. At present SHT, which has interests ranging from fireworks and oriental carpets through to householding, draws about a quarter of its turnover from the US. It owns Haven Homes, a Pennsylvania manufacturer of prefabricated houses and Fox Ridge, housebuilder, bought in April.

Rangeair produced pre-tax profits of \$3m (£1.76m) on turnover of \$90.5m (£47.6m) in the year to July 31 1987. In the nine months to April 30 1988, it made profits of \$1.8m (£1.06m) on turnover of \$58.5m (£24.4m).

The acquisition, which is funded by cash, brings SHT's gearing up to 60 per cent.

## Delays hamper Raine offer

**By Andrew Hill**

**RUBEROID.** the roofing materials company, said yesterday its contested £13m claim, including interest, against auditors Ernst & Whinney would not reach the courts this year.

Raine Industries, the housebuilder bidding for Ruberoid, had expected the case - which relates to Camrex, a loss-making former subsidiary of Ruberoid - to come to court in October.

Part of its original hostile offer, which values the company at about £126m, included an undertaking to pay a special dividend to Ruberoid's shareholders assuming the outcome

of the Camrex claim was successful, final and binding, and payment was received before the end of 1988.

Raine could now pay the special dividend only if it reached an out-of-court settlement with Ernst & Whinney before December 31.

Mr John Roberts, Ruberoid's chief executive, said yesterday: "There is nothing that any management could have done to change the timing of the case. Believe me, if we could have done it, we would have done it."

Raine said it was unlikely to extend the deadline for a settlement in the court case, which

has been awaiting a hearing for some years.

Mr Roberts also hit back yesterday at allegations in Raine's final offer document posted last week, that Ruberoid had no executive financial director. He said the company had always had a group financial controller, with responsibilities almost identical to those of a company finance director.

Separately, Ruberoid announced the £21m sale of land next to its Enfield papermill, realising profits of £2.2m over book value. The company said the sale had been under negotiation for about a year.

## Zurich takeover of Ecobric hits snag

**By Philip Coggan**

**THE RECOMMENDED** takeover of Ecobric Holdings, the USM-listed demolition company by private property company, Zurich Group, has hit a snag which could threaten the success of the offer.

Zurich needs acceptances from 90 per cent of all three classes of capital - ordinary shares, deferred shares and convertible loan stock

before its offer can be declared unconditional. Although it has received acceptances from holders of 83 per cent of the deferred shares, the figure for ordinary shares is 87.9 per cent and for the convertibles just 66.9 per cent.

Marier, the property group which owns 68 per cent of Ecobric's ordinary shares, has written to Ecobric saying that it will not provide any further

financing for the demolition company. Should the offer lapse, Marier says that "the board of Ecobric will have to consider whether it is necessary to apply for appointment of a Receiver."

Zurich is extending the offer for a further 21 days - until September 9 - in the hope that the convertible loan stock holders decide to accept.

## Monument bid lapses

**THE 12p-a-share offer** by Nimes Resources, the private oil company headed by Mr Tony Craven Walker, ex-chief executive of Charterhouse Petroleum, for Monument Oil and Gas has lapsed.

The offer was only made to comply with Takeover Panel

regulations, following Nimes's acquisition of a 40.24 per cent interest in Monument. The level of the offer was well below the market price of the shares, and attracted acceptances in respect of just 37.47 shares, 0.72 per cent of the equity.

Nimes Resources has reported that it has accepted 37.47 per cent of the shares offered by Nimes.

## Foreign ownership of BAe down

**Foreign ownership of British Aerospace fell marginally in the past month to 11.04 per cent, its lowest since going private.**

The Government currently limits foreign ownership to 15 per cent.

## Aerospace improves to £2.21m

**Aerospace Engineering lifted** pre-tax profits from £1.54m to £2.21m in the year ended April. The final dividend is 1.56p for a total of 3.12p. That compared with a scrip adjusted 2.6p. Turnover rose 18 per cent to £17.65m (£14.9m).

**COMPANY NEWS IN BRIEF**

**BABY GRO HOLDINGS** shareholders have accepted the offer from Robert H. Lowe in respect of 93.3 per cent of the capital. The offer has been declared unconditional and remains open.

**CAMPBELL & ARMSTRONG** rights issue of 1.33m shares has been taken up in respect of 95.6 per cent.

**COLOGRAPHIC** shareholders approved the placing and open offer raising £2.14m net for expansion. Under clawback terms existing shareholders took up 32 per cent.

**ENTERPRISE OIL** has announced that the placing and offer to shareholders of new ordinary shares has been completed.

**UTC GROUP** is to sell its Able Foods subsidiary to a private company controlled by Ralph Peters. The consideration is £450,000 cash.

**PARKWAY GROUP**, has expanded its reprographics

capability with the purchase of Speedscan for an initial consideration of £750,000 to be satisfied as to £200,000 cash and the issue of £213,243 new shares. Speedscan, which provides a litho origination service, will form a joint operation with Magnacraft, an existing Parkway reprographic company. Further payments in shares to a maximum of £1m are due over the next two years.

**THEME HOLDINGS** is now 89.2 per cent controlled by Leisure Investments following acceptance of the offer, which has been declared unconditional and remains open.

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## PUBLIC WORKS LOAN BOARD RATES

**Effective August 17**  
Quoted from report  
Non-quota loans A quoted

**Term** **By SPT** **ATI** **Interest** **By SPT** **ATI** **Interest**

Over 1 up to 2 10% 10% 10% 11% 11% 11%

Over 2 up to 3 10% 10% 10% 11% 11% 11%

Over 3 up to 4 10% 10% 10% 11% 11% 11%

Over 4 up to 5 10% 10% 10% 11% 11% 11%

Over 5 up to 6 10% 10% 10% 10% 10% 10%

Over 6 up to 7 10% 10% 10% 10% 10% 10%

Over 7 up to 8 10% 10% 10% 10% 10% 10%

Over 8 up to 9 10% 10% 10% 10% 10% 10%

Over 9 up to 10 10% 10% 10% 10% 10% 10%

Over 10 up to 15 10% 10% 10% 10% 10% 10%

Over 15 up to 25 9% 9% 9% 10% 10% 10%

Over 25 9% 9% 9% 10% 10% 10%

**Non-quota loans B** are 1 per cent higher in each case than non-quota loans A. **Equal instalments of principal.** **II** Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). **S** With half-yearly payments of interest only.

## De Savary allows his Falmouth bid to lapse

**By David Waller**

A BITTER takeover saga drew to a close yesterday when Mr Peter de Savary, the yachting entrepreneur, dropped his £3m bid for the Falmouth Hotel group, a private company owned by approximately 120 Cornish shareholders.

Glenwedge, the entrepreneur's absurdly-named takeover vehicle, announced yesterday that its offer would lapse after receiving acceptances from a mere 13.1 per cent of the target company's shareholders.

Mr James Fox, Falmouth chairman, claimed a great victory; Mr de Savary could not be contacted.

Although small in absolute terms, Mr de Savary's bid stirred up emotions and arguments every bit as bitter as those provoked in the somewhat bigger (£2.55m) bid from Nestle for Rowntree. Mr de Savary came in for accusations of empire-building and jigger-poker, while the management of the hotel company was branded inefficient and incompetent.

Furthermore, it was one of that rare breed of hostile bids for a privately-owned company. It was conducted amid all the paraphernalia of the takeover code, the more arcane sections of which were exploited by Mr de Savary to convene a meeting of the hotel group's shareholders (most of whom are descended from the families who founded the business more than a century ago).

Mr Fox, who has a virtuous turn of phrase entirely appropriate for one whose "real" job is at Morgan Grenfell, the arch-expert that was of the hostile bid, had accused Mr de Savary of wanting to take over the whole town of Falmouth, what with opening a marina and ship repair business and basing his (aborted) Blue Arrow challenge for the America's Cup there.

Yesterday, however, he was magnanimous in victory. "We have to live with the man," he said. "I'm sorry he got involved in this thing in the first place."

Mr de Savary wanted to turn the more salubrious of the group's two properties into a luxury hotel to house the upmarket clientele attracted to the area by his yachting ventures. He had threatened to build a rival hotel if he did not get his way, but Mr Fox said yesterday that this did not worry him as it would probably be built three miles out of town on the golf course.

The millionaire entrepreneur was reported to have reportedly lost interest in the whole affair.

## UCL suffers midway setback

**UCL Group**, which supplies and maintains computer systems and related products, suffered a setback in the first half of 1988 with profits crashing from £212,000 to £16,000.

Turnover of this USM traded group rose from £26.8m to £29.5m, but trading profit was down from £202,000 to £31,000.

Mr Nick Drescher, chairman, said the poor profit was a direct result of a shortfall in computer system orders following the October market crash; financial sector new systems business was insignificant, whereas last year it represented 20 per cent of total turnover.

In the current half several new contracts had been obtained in the financial sector. Mr Drescher was confident about the outcome for the year and expected the dividend to be in line with the previous 2p.

## Applied Holographics

**Applied Holographics**, the loss-making manufacturer of reflection and embossed holograms, is paying £1.5m to buy out its partner in Transfer-All Products Ltd, a manufacturer of heat sealing foils.

AH has also announced a number of new orders worth a total of £460,000.

**SHARWOOD GROUP** is to sell its Able Foods subsidiary to a private company controlled by Ralph Peters. The consideration is £450,000 cash.

**PARKWAY GROUP**, has expanded its reprographics

## Wistech receives approaches from three possible suitors

**By Clay Harris**

**WISTECH**, specialist cleaning and materials group, has received three approaches, at least one of them from a foreign company, which could lead to a offer or to a substantial shareholding by an outside party.

"There could be advantages in having a strong partner," Mr Tony Morgan, Wistech chairman, said last night. Two of the suitors had suggested a full takeover; the third company wanted to make a large investment. At present, all three approaches were being treated equally, he said.

Caird Group, waste disposal company, which withdrew a proposed offer worth £7.5m in July after seeing an auditor's report, is not one of the current suitors. Caird failed to win Wistech's support for revised proposals worth £5m, but this week has bought 7 per cent of Wistech's shares, which are traded over-the-counter.

Mr Peter Linacre, Caird chairman, said last night that it was unlikely he could be persuaded to pay more than the 50p per share at which the stake had been obtained this week.

Among the possible contenders is Compagnie Générale des Eaux, the French group which has been an active investor in UK statutory water companies and has signalled recently its intention to move into waste disposal as well.

UK companies which might have an interest in Wistech are BET, industrial services group, and Leigh Interests, Walsall-based waste collection and treatment concern. Caird also has a 5.5 per cent stake in Leigh, which last night declined to comment on the Wistech statement.

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## INTERNATIONAL COMPANIES AND FINANCE

# Opponents highlight legal hurdles to Aerolineas deal

By Gary Mead in Buenos Aires

THE PERONIST opposition party in Argentina's Congress has strongly condemned the deal between Aerolineas Argentinas, the state-owned airline, and SAS, the Scandinavian carrier.

Peronists, who hold a majority in the Senate (the upper house of Congress), have accused the Government of breaking two laws concerning state-run companies. As the agreement for SAS to purchase a 40 per cent stake in Aerolineas requires congressional approval, this fresh attack places considerable doubt over the outcome of the deal.

The Peronists point to two laws, one which forbids the incorporation of private capital

into state enterprises, and another which obliges the Government to call for public tenders when considering privatisations, they feel full or partial.

Under the terms of the deal, officially announced on August 11, SAS will purchase its stake in Aerolineas for \$204m. That figure implies an Aerolineas valuation of \$510m.

But Mr Horacio Domingo-rena, the former president of Aerolineas, resigned earlier this week amid controversy over the precise sum involved.

He has claimed that the actual payment SAS will make is \$156m, which implies a valuation of \$390m.

He has not yet made clear precisely how he arrived at the

figure, but sources close to the negotiations have revealed that a discrepancy over the valuation exists and that it may still cloud the deal.

The difference arises over leasing arrangements that Aerolineas has for some of its fleet. At least one Boeing 767 and a Boeing 707 and some of its four Fokker F28 aircraft are on lease. SAS is believed to have valued these at \$120m.

The figure gives the difference between a valuation of \$510 and one of \$390, and also explains the discrepancy between the official announcement that the purchase will cost \$204m and Mr Domingo-rena's claim that the payment will be \$156m.

Aerolineas' management has for some time been pushing for a stock split and capital increase. Taxes fell 3 per cent and loan-loss provisions 6 per cent, helping to improve on a modest 4 per cent rise in operating income. This climbed to FI 71.1m from FI 68.2m even though costs grew more than income.

Revenue increased 7 per cent to FI 21.23m from FI 21.4m, as an advance in interest income offset a decline in commission earnings. Costs increased 8 per cent to FI 1.57bn from FI 1.46bn, fuelled by increases in salaries, automation and

depreciation.

International activities, notably those in the US, improved on domestic performance, with credit lending and corporate banking in the US contributing to the rise.

In domestic activities, reasonable interest-rate margins on higher credit volume were achieved, but expenses and depreciation rose.

ARN's balance sheet total expanded by 13 per cent to FI 174.2m as of June 30, from FI 154.3m a year earlier.

Amro, the second largest bank, earlier reported a 25 per cent jump in its first-half earnings, while NMB Bank, the third largest bank, boosted its profits by 38 per cent.

## Lower taxes help boost ABN

By Laura Baum in Amsterdam

ALGEMENE BANK Nederland (ABN), the biggest bank in the Netherlands, lifted its first-half earnings by 19.5 per cent due mostly to lower taxes and provisions for bad loans.

In spite of the good performance, ABN continues to lag behind the other big banks in its earnings rise. ABN also left its interim rates unchanged to FI 1.35% a share, disappointing the market further.

For the year as a whole, ABN forecasts that earnings per share will surpass those of 1987. But the bank has warned that the dollar exchange rate, interest rates and stock markets could affect second-half performance.

Net income jumped to

FI 306m (\$142.9m) for the first six months from FI 258m a year earlier. However, earnings per share rose a more modest 11 per cent to FI 2.84 adjusted for a stock split and capital increase. Taxes fell 3 per cent and loan-loss provisions 6 per cent, helping to improve on a modest 4 per cent rise in operating income. This climbed to FI 71.1m from FI 68.2m even though costs grew more than income.

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## Hang Seng Bank expands by 17.1%

By Michael Murray in Hong Kong

HANG SENG BANK, a subsidiary of the Hongkong and Shanghai Banking Corporation, yesterday reported attributable profits of HK\$483.8m (US\$62m) for the nine months to June 30, an increase of 17.1 per cent over last year's first half.

The figures, given after transfers to inner reserves, were slightly ahead of market

expectations, and the bank said it was confident the performance could be sustained for the year as a whole.

The bank said the level of trade finance activity was still growing, and pointed out that although the rate of growth for Hong Kong's domestic exports had slowed considerably in the first half, re-export trade was

### Correction

#### De La Rue/Amatil

DE LA RUE of the UK has asked us to make clear that it retains full ownership of Fortronic Technology Holdings Ltd of Scotland and Fortronic Ltd, its trading subsidiary, contrary to the impression that may have been given in a Financial Times story of August 12. The UK group has, however, sold its 27.5 per cent stake in Fortronic Technology Pty, an Australian affiliate, to a unit of Amatil of Australia.

mortgage lending and trade finance, is seen as a good indicator for the health of the country's banking sector.

The bank said the level of trade finance activity was still growing, and pointed out that although the rate of growth for Hong Kong's domestic exports had slowed considerably in the first half, re-export trade was

growing.

Hang Seng, which has a large retail network and substantial market shares in both

per cent of the total.

With further upward pressure being provided by currency factors and unexpectedly-high prices asked at Thursday's US Mint tender, the cash zinc price on the London Metal Exchange ended £31.50 up on the week at £249.50 a tonne, despite being trimmed back £5 by profit-taking yesterday.

Emboldened by the strong market tone, Metallgesellschaft of West Germany on Wednesday announced a rise in its European selling price to £275 a tonne, reclaiming half of the £150 cut it made on July 14. Other suppliers to the European market were quick to follow suit.

Char-fitters also played a major part in the copper market's strong performance this week, dealers said.

A sharp fall on Monday and Tuesday, which took the LME cash price for Grade A metal down to £249.50 a tonne, was reversed over the next three days and the price ended the week £46.50 higher on balance at 6-week high of £31.50 a tonne.

Char-fitters buying, taking the three-month price through a resistance point at about £2,260 a tonne to £2,290.50 a tonne, was fuelled by the strength of copper on the New York Commodity Exchange (Comex).

Comex prices have been rising in response to a fall in warehouse stocks, reflecting good demand from both smelters and rod mills. LME stocks have risen substantially over the past three months, but dealers were predicting that a small decline for this week would be announced on Monday.

Nickel prices fell sharply yesterday, after trading in a relatively narrow range for most of the week. The retreat, which was based news of progress in labour talks at Falconbridge's Sudbury mining operation in Ontario, left the cash price £275 down on the week at \$14,100 a tonne.

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## CURRENCIES AND MONEY

### FOREIGN EXCHANGES

#### Central banks cap dollar

CENTRAL BANKS continued to intervene on the foreign exchanges yesterday, in an attempt to hold the dollar down. This appeared to be confined to the US Federal Reserve and the West German Bundesbank, while Thursday when several European central banks were seen in the market.

The monetary authorities in the US and Germany sold dollars on the open market at around DM1.8950. This temporarily pushed the dollar down to DM1.8875, but it showed further resilience, and rallied to DM1.8920 at the London close, compared with DM1.8980 on Thursday.

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The Bundesbank also sold \$25m when the dollar was fixed at DM1.8958 in Frankfurt, compared with DM1.8930 previously.

Sterling remained on the sidelines. Prospects of higher London interest rates faded, but after this week's figures the economic picture in the UK looks more favourable than had been feared.

The pound rose 35 points to \$1.7020, and to Y227.25 from Y228.50, and fell to DM3.2200 from DM3.2225; to SF2.7100, and to Y133.30.

According to the Bank of England, the dollar's index fell to 99.6 from 99.8.

The D-Mark held above the

resistance point of Y70.00 against the Japanese yen, finishing in London at Y70.25 previously.

Low trading volume at the end of the week helped central banks to cap pressure on the dollar, and hold the currency below DM1.90.

At the London close the dollar had fallen to SF1.6515 from SF1.6560 and to FF1.6450 from FF1.6430, but had improved to Y133.45 from Y133.30.

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resistance point of Y70.00 against the Japanese yen, finishing in London at Y70.25 previously.

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### £ IN NEW YORK

Aug. 19	Last	Previous Close
£ Spot	1.7015-17020	1.6980-1.6970
1 month	1.715-1.7200	1.691-1.6930
3 months	1.715-1.7200	1.691-1.6930
12 months	1.715-1.7200	1.691-1.6930

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

Aug. 19	Last	Previous Close
8.38 am	76.7	76.8
10.00 am	76.7	76.7
11.00 am	76.7	76.7
12.00 pm	76.7	76.6
1.00 pm	76.7	76.7
2.00 pm	76.7	76.6
3.00 pm	76.7	76.6
4.00 pm	76.7	76.7

All rates are to 4pm local time

### CURRENCY RATES

Aug. 19	Bank %	Special Drawing Rights	Dominican Peso	Peruvian Sol	Yuan
UK £	0.750779	0.696441			
US Dollar	1.250777	1.099900			
Austrian Schillings	1.250777	1.099900			
Australian Dollar	1.250777	1.099900			
Belgian Franc	1.250777	1.099900			
Canadian Dollar	1.250777	1.099900			
Deutsche Mark	1.250777	1.099900			
French Franc	1.250777	1.099900			
Irish Pound	1.250777	1.099900			
Italian Lira	1.250777	1.099900			
Japanese Yen	1.250777	1.099900			
New Zealand Dollar	1.250777	1.099900			
Swiss Franc	1.250777	1.099900			
UK £	1.250777	1.099900			
Yuan	1.250777	1.099900			

1 UK £ and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the British currency. Belgian rate is for convertible francs. Financial Franc 40.20-40.30.

### CURRENCY MOVEMENTS

All rates are for Aug. 18

### OTHER CURRENCIES

All rates are for Aug. 18

### EURO-CURRENCY INTEREST RATES

All rates are for Aug. 19

### EXCHANGE CROSS RATES

All rates are for Aug. 19

### MONY MARKETS

Present base rates may hold

PRESSURE CONTINUED to ease on interest rates in London yesterday. Thursday's UK economic news was slightly better than had been feared, and there were no shocks for the market in yesterday's figures on retail prices.

July retail prices rose by the expected 0.1 p.c., taking the year-on-year inflation rate up to 4.3 p.c. from 4.2 p.c.

The latest figures tended to reassure dealers that the authorities will attempt to hold base rates at 11 p.c., until there is firm evidence of whether the rise in base rates since early June has succeeded in putting a brake on inflationary pressure. Three-month interbank eased to 11½-11¾ p.c. from 11½-11¾ p.c.

The Bank of England initially forecast a money market credit shortage of £300m but revised this to £400m at noon, and then to £650m. In the afternoon the shortage was further

revised to £450m, and the authorities provided total assistance of £444m.

In the morning the Bank of England bought £168m bills, by way of £7m bank bills in band 3 at 10% p.c.; £10m local authority bills in band 4 at 10% p.c.; and £16m bank bills in band 4 at 10% p.c.

Late assistance of around £125m was also provided.

Bills maturing, repayment of late assistance, and a take-up of Treasury bills added a net £100m to liquidity. This was outweighed by Exchequer transactions draining £15m of liquidity, a rise in the note circulation of £330m, and bank balances below target of £70m.

Continued nervousness about interest rates was illustrated at the weekly Treasury bill tender, when the minimum accepted bid of £97.315 received about 93 p.c. of the total allocation. The minimum accepted

bid the previous week was £97.335, which was met as to about 56 p.c.

The average rate of discount rose to 10.730% p.c. from 10.678% at the tender. The £100m bills on offer attracted bids of £492m, compared with £267m for a similar number the previous week. All bills offered were allotted.

Next week another £100m bills will be on offer, replacing a similar amount of maturities. In Frankfurt call money rose to 4.80 p.c. from 4.70 p.c., as the underlying weakness of the D-Mark, resulting in central bank intervention, has led to speculation that the Bundesbank may increase the interest rate at the tender.

**FT LONDON INTERBANK FIXING**

0.0000-2.0000 10.9200-12.0000

2.0000-2.2000 11.2200-12.2500

3.0000-3.2000 11.5200-12.5000

4.0000-4.2000 11.8200-12.7500

5.0000-5.2000 12.1200-12.7500

6.0000-6.2000 12.4200-12.7500

7.0000-7.2000 12.7200-12.7500

8.0000-8.2000 12.7200-12.7500

9.0000-9.2000 12.7200-12.7500

10.0000-10.2000 12.7200-12.7500

11.0000-11.2000 12.7200-12.7500

12.0000-12.2000 12.7200-12.7500

13.0000-13.2000 12.7200-12.7500

14.0000-14.2000 12.7200-12.7500

15.0000-15.2000 12.7200-12.7500

16.0000-16.2000 12.7200-12.7500

17.0000-17.2000 12.7200-12.7500

18.0000-18.2000 12.7200-12.7500

19.0000-19.2000 12.7200-12.7500

20.0000-20.2000 12.7200-12.7500

21.0000-21.2000 12.7200-12.7500

22.0000-22.2000 12.7200-12.7500

23.0000-23.2000 12.7200-12.7500

24.0000-24.2000 12.7200-12.7500

25.0000-25.2000 12.7200-12.7500

26.0000-26.2000 12.7200-12.7500

27.0000-27.2000 12.7200-12.7500

28.0000-28.2000 12.7200-12.7500

29.0000-29.2000 12.7200-12.7500

30.0000-30.2000 12.7200-12.7500

31.0000-31.2000 12.7200-12.7500

32.0000-32.2000 12.7200-12.7500

33.0000-33.2000 12.7200-12.7500

34.0000-34.2000 12.7200-12.7500

35.0000-35.2000 12.7200-12.7500

36.0000-36.2000 12.7200-12.7500

37.0000-37.2000 12.7200-12.7500

38.0000-38.2000 12.7200-12.7500

39.0000-39.2000 12.7200-1

## LONDON STOCK EXCHANGE: Dealings

Details of business done below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Service.

Unless otherwise indicated prices are in pence. The price is at that at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange TaliSystem, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

† Bargains at special prices. ♦ Bargains done the previous day.

Bargain done with non-member or executed in overseas markets.

British Funds, etc. No. of bargains included 2711

Treasury & Co 12.94% Lst Brk 2000 (Pty Pd - 1982) 100% Lst Brk 1994 Rel Brk 2014 (Pd - 2000)

37.6000% Stg 3.3.2007/13 Lst Brk 2000 - 2000

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Corporation and County Stocks. No. of bargains included 1

London County Crt 12.5% Cons Brk 1980/after - 223 (17A88)

Greater London Council 5% Crt Brk 1982 - 229

Kentish & Chelmsford Royal Borough - 2124 (17A88)

Local Corp 5% Crt Brk 1982/after - 227

Manchester Corp 1981 5% Rel Brk 1961 (Pd after) - 229% (17A88)

Nottinghamshire Corp 5% Crt Brk 1982 - 226 (17A88)

Leeds City Corp 5% Crt Brk 1982 - 2100 (17A88)

UK Public Boards No. of bargains included 2

Agreement Fund Corp PLC 9.5% Deb Brk 1980 - 77% Lst Brk 1982 - 228

100% Deb Brk 1982 - 227%

Charingworth Corp 5% Crt Brk 1982 - 223

4% Ind Brk - 228%

Metropolitan Water & Milklands Water Works Co 5% Crt Brk 1982 - 228%

Foreign Stocks, Bonds, etc-(coupons payable in £) No. of bargains included 10

Greece (Kingdom of) 9% Public Works Bill Lst Brk 1982(Audit) - 224 (17A88)

Hong Kong (S.R.) 10% Govt Bond/Bonded Lst Brk 1983 - 227 (17A88)

Abbay National Savings Society 10.75% Deb 1980/2000 - 228% (17A88)

TBS Group PLC 10% - 103 5/4 6 1/2 7

Albania International Finance 8% Govt Bonds 1988 - 229% (17A88)

Austria Australia Ltd 11.11% Notes 1982 - 210% (17A88)

Angola Building Society Pay Rate 1980 - 229.25 (17A88)

Angola Petroleum 10% Crt Brk 2002

Argentina 10% Crt Brk 1982 - 227 1/2 (17A88)

ASIA Group PLC 9.5% Crt Brk 1982

2002/9/10/2002/2003 - 21023 3 (17A88)

Bank of America 10.5% Crt Brk 1982 - 227

1994/9/2004/2005 - 226.65 (17A88)

Barclays Bank PLC 10.1% Senior Bonds 1982 - 197% (17A88)

Bank of New Zealand 10% Crt Brk 1982 - 227

Barclays PLC 10% Crt Brk 1982 - 227

Barclays Schaeffler PLC 7.5% Crt Brk 2000 - 211.25

Black Group (Capita) PLC 9.5% Crt Brk 1982 - 227 1/2 (17A88)

Blacks Group PLC 11.5% Crt Brk 1982 - 227 1/2 (17A88)

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Bonhill Wimborne Bank PLC 9.5% Crt Brk 1982 - 227 1/2 (17A88)

Bordex Overseas Inv Co BV 9.5% Old Brk 1984 (Pty Pd - 1982) - 1112 1/2 (17A88)

Bordex Overseas PLC 10% Crt Brk 1982 - 227 1/2 (17A88)

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## **UNIT TRUST INFORMATION SERVICE**

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## FT UNIT TRUST INFORMATION SERVICE

Inv.	Price	Offer + w	Yield	Inv.	Price	Offer + w	Yield	Inv.	Price	Offer + w	Yield	Inv.	Price	Offer + w	Yield	Inv.	Price	Offer + w	Yield	
Phoenix Assurance Co Ltd																				
Phoenix House, Rediffusion Hill, Bristol	0272 294941				Provident Mutual Life Ass. Assn.	0438 729000			Royal Heritage Life Assurance Ltd - Contd.				Shield Assurance Ltd	0256 94141			Sent Life of Canada UHO Ltd	0272 22330		
Life Assurance Funds					Mutual Fund	144.2	133.8	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Citizen Financial Mgmt Ltd	0272 22330		
W.M. Gurnett & Co Ltd	339.6	416.3	-1.0	Mutual Fund	129.7	122.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Citi Financial Mgmt Serviced Ltd	0272 042500			
EDF Plc Ed.	347.0	364.3	-1.0	Units Ed.	121.7	112.7	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			Central Mortgative, Dijon, France	0272 042500			
Phoenix				Units Ed.	122.7	112.7	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			Scandinavian Partners Inc	0272 042500			
PKF Equity Ass.	172.4	185.0	-1.0	Index Link & GIH Ltd	105.2	129.2	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			Kleemann Reuter (Chairman) Ltd	0272 042500			
Property Ass.	243.0	250.3	-0.7	Overseas Equity Int'l	210.2	232.1	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Proprietary Ass.	126.7	140.9	-0.7	Property Ass.	124.2	130.6	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Bridg Sec. Link Ass.	126.7	140.9	-0.7	Fixed Interest Ed.	126.4	125.9	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Phoenix/Fremantle				Invest. Mkt. Services	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Am. Centr. Col. Ass.	188.50	92.10	-0.40	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Capital Int'l. Ass.	178.9	185.3	-0.7	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
American Trust Ass.	120.8	85.70	-0.30	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Special Inv. Fund	120.8	85.70	-0.30	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Phoenix Ass.	135.6	140.4	-0.3	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
US & General Ass.	94.20	107.0	-0.6	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Japan & General Ass.	146.1	150.5	-0.6	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Europeans Ass.	141.2	148.4	-0.4	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Special Mkt. Ass.	121.0	138.7	-0.4	Private P.W. Portfolio	100.1	100.2	-0.5	Asocietate Financiere S.A.	115.9	107.6	-0.7	Sheldene Assurance Ltd	0256 94141			KL Kleemann Reuter (Chairman) Ltd	0272 042500			
Pioneer Mutual Insurance Co Ltd				Private Mutual Life Ass. Co Ltd	0438 729000			Royal Heritage Life Assurance Ltd - Contd.				Shield Assurance Ltd	0256 94141			Sent Life of Canada UHO Ltd	0272 22330			
10 Crosby Rd, W. Waterloo, Liverpool	051-429 655			Units Ed.	144.2	133.8	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			The Small Society, Bristol BS2 2BD	0272 22330			
Man Pen Ins. & Cos. Plc	347.0	356.9	-0.7	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
Pens. Fund & Divs.	100.0	94.0	-0.4	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
Pens. Fund	100.0	94.0	-0.4	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
Pens. Fund	100.0	94.0	-0.4	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
Pens. Fund	100.0	94.0	-0.4	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
Pens. Fund	100.0	94.0	-0.4	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
Pens. Fund	100.0	94.0	-0.4	Asocietate Financiere S.A.	115.9	107.6	-0.7	Asocietate Financiere S.A.	100.5	97.5	-0.7	Sheldene Assurance Ltd	0256 94141			Sheldene Assurance Ltd	0272 22330			
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# **FT UNIT TRUST INFORMATION SERVICE**

## **LONDON SHARE SERVICE**

# **Money Market Trust Funds**

Gross	Net	CAR	Int Cr	
				£10,000 and above..... 19.75
				7.48 10.32 Month
				<b>Western Trust &amp; Savings Limited</b>
				The Mercantile, Plymouth PL1 SE8
				High Int Cnq Acc..... 10.75
				0752 224141 11.331 Qtr
				<b>Wimbleton &amp; South West Finance Co Ltd</b>
				114 Newgate St, London EC1V 7AE
				01-506 9495
				High Int Cheque Acc..... 10.75
				8.25 11.331 Qtr
				<b>NOTES</b> - Gross rate to those exempt from composite rate all
				Int Net actual rate after deduction of CAR Cr. Equiv CAR
				Rates equivalent to basic rate taxpayers-commissioned
				annual rate for Cr frequency interest credited
				<b>UNIT TRUST NOTES</b>
				Prices are in pence unless otherwise indicated and those
				designated S with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses.
				Prices of certain older insurance linked plans subject to Capital gains tax on sales, a Offered prices include all
				expenses today & holding period & Yield based on offer
				price & Estimate of Total Premium Income if Disposition
				over 4 UK taxes. A Periodic premium Insurance, a Simple
				premium Insurance, a Different price includes all
				expenses except agent's commission. A Offered price
				includes all expenses if bought through manager, x Previous day's price. 10 Guernsey gross. + Suspended. + Yield before Jersey tax. ? Unavailable. # Only available
				to charitable bodies. A Yield column shows annualized
				rates of NAV increase net of dividends.

#### **LONDON SHARE SERVICE**

## **LONDON SHARE SERVICE**



JOHN IN THE

# Weekend FT

Section II

Weekend August 20/21, 1988

**H**ermann remembers vividly his first day at Volkswagen, the motor group founded 50 years ago as part of Hitler's drive to bring cheap motoring to the masses and which later became a world-wide symbol of West Germany's post-war economic recovery. It was in 1945, a few months after the 16-year old former Hitler Youth member surrendered to British troops near his home town of Soltau in northern Germany.

As a courier for the Luftwaffe he had been drafted into the last-ditch resistance but, as Allied troops advanced, he and his colleagues saw the futility of this. Soltau, 60 miles from the VW plant at Wolfsburg in north-central Germany, was one of several dispersal sites to which parts and equipment from there had been shifted during the heavy bombing raids of 1944. "My supervisor told me to go home and fetch my swimming trunks. Why swimming trunks?" I asked. On my first day, I and some others actually had to fetch machinery parts out of this pond, which was used for fire-fighting. It wasn't deep, but it was dirty with oil flecks."

Today, the 58-year-old Amtentrink is plant manager at Wolfsburg, the heart of VW's corporate empire. It was there, at a pompous Nazi ceremony on May 26, 1938, that Hitler laid the foundation stone of what then was called the *Kraft durch Freude (KdF)*, or Strength through Joy, car factory. And it is that anniversary which VW is commemorating this year, recalling not only its successes but also the wartime evils of concentration camps, forced labour, and the use of the plant to make V-1 flying bomber parts, mines and military vehicles.

Volkswagen's real rise began three years after the war with the arrival of Heinrich Nordhoff, who took over as general manager in 1948 (thus giving VW a second anniversary this year). It was Nordhoff who transformed the company's fortunes and made the humble Beetle car designed by Ferdinand Porsche into a motoring phenomenon. But, in the chaotic pre-Nordhoff days, with Germany devastated by war, not many people gave VW any chance of survival.

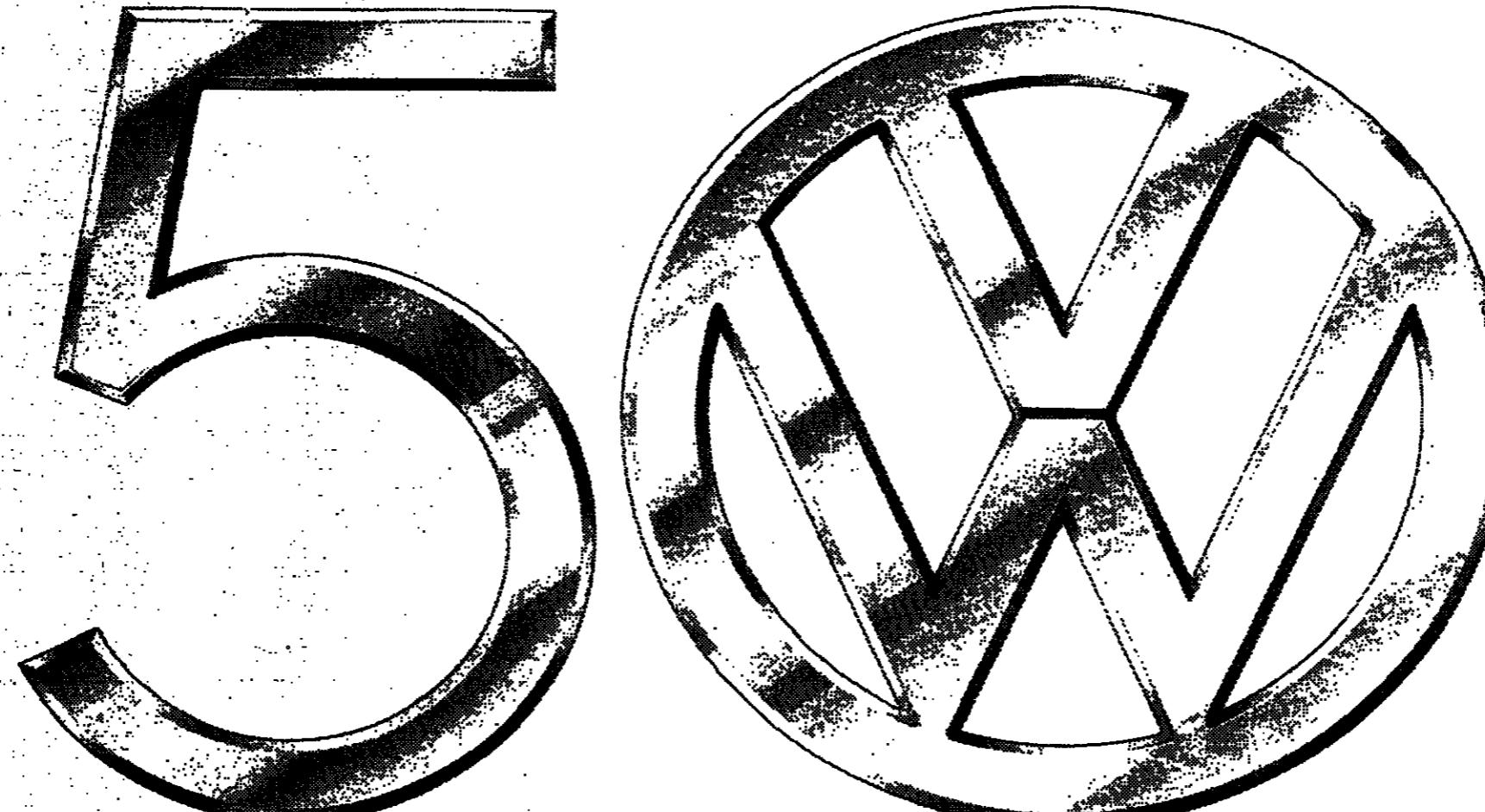
One who did was Ivan Hirst, a British army major who took charge of the plant in 1945 and helped to re-start production, first by using it for repairs and then landing an order for 20,000 vehicles to meet the desperate transport needs of the time. Hirst, now 72 and living in Biddulph, West Yorkshire, recalls: "The place was a shambles. Initially, it was on the list for dismantling as being surplus to the level of industry planned. The Allies had put a limit on German industrial capacity. Then, a man from army HQ, Colonel McEvoy – he was the brains behind it – saw that the British occupation zone needed light vehicles."

With others such as Dick Berryman, a former Royal Air Force wing commander who had worked previously in car production, Hirst got output under way gradually. But he says of his own role: "It was not a one-man band. There were many Germans involved, working under extremely difficult conditions. The Germans accepted it. They were working to get on their feet, economically."

Amtentrink reckons there was a bit of British sportsmanship involved, too: "The British learned to love the car they had seen in action in the desert." Indeed, the sturdy, air-cooled VW had proved itself both with General Rommel's Afrika Korps and on the Russian front. There were two military versions, an ugly but efficient land vehicle nicknamed the Käferwagen or "bucket car," and an amphibious model, the Schwimmwagen.

Without that first order for 20,000

*The Volkswagen originated from the Führer's demand for a cheap civilian car. Andrew Fisher reports on half a century of production*



vehicles, says Amtentrink, VW might well not exist today. "It gained time and prevented dismantling. No-one wanted it (the plant)." The British, US and French major industries turned up their noses at the Volkswagen although some experts recognised its potential. Hirst says Henry Ford listed at Wolfsburg on the map, saw its proximity to the edge of the Russian zone and decided that production there was out of the question.

For Hirst and his colleagues on the spot, however, things looked different. "I and my chief, Colonel Charles Radcliffe, thought the car was a potential Model-T Ford. I think we expected it to really take off." In fact, it was in 1952 that the post-war Beetle passed the Model-T's production record of just over 15m cars. To date, VW has turned out more than 50m vehicles, including nearly 21m Beetles and 10m Golfs, the Beetle's successor. And Wolfsburg – where Amtentrink became manager 16 years ago – is the world's largest car plant under one roof.

In 1945, though, he had no idea that he would spend his life with VW. After a few months at the Soltau dispersal site, he went back to school, but he found the German teachers over-harsh in their reaction to the Nazi period. By then, all the machinery was back in Berlin. "He was a cat who liked to walk alone," said Hirst, who interviewed

walked with some friends. It took us two days and we slept in a barn. Some of the rail bridges had been blown up and were not yet repaired."

In Weissenfels, he became an apprentice mechanic. "We were always hungry. We stole potatoes from the fields. I had some worn US army boots and a pair of dark green British army trousers." He lived in a wooden hut with eight others.

In those days, production was very erratic. In the latter winter of 1947, production was stopped for three months because of a coal shortage. "We nearly starved in our cold barracks. There were蒋介石 on the outside taps. In the summer of that year, the food situation was the worst ever."

But then came the US Marshall Plan with its recovery aid, the currency reform of 1948 and the economic liberalisation of Ludwig Erhard, who was post-war economic director in the British and American occupation zones before becoming the West Germany economic affairs minister in 1949.

It was against that slowly-improving background that Nordhoff came on the scene. A former manager with Opel, he was not wanted back by its General Motors parent because of his role in producing military trucks at the company's plant in Berlin. "He was a cat who liked to walk alone," said Hirst, who interviewed

Nordhoff. "I don't think he ever had a really close friend. He was a solitary soul but extremely stave – smooth, if you like – and very able."

For Nordhoff, often dubbed "King Nordhoff," the job of rebuilding and running VW was a second chance. The British gave him a free hand which he used energetically, although he is supposed to have said the Beetle had "more faults than a dog has fleas." He developed a close relationship with employees, working hard to improve conditions as well as developing the cultural side of life in Wolfsburg by organising concerts – Herbert von Karajan conducted in a former workers kitchen that had excellent acoustics – and art exhibitions. He also stressed the need for the still partly-demoralised German workers to put the past behind them.

Nordhoff refined and improved the Beetle for mass sales and laid great stress on service. As a result, VW was able to meet a huge pent-up demand for cars, helped by the fact that the rest of the German motor industry was in even worse condition. The 1m-vehicle mark was reached in 1955 and exports advanced strongly. Wolfsburg also prospered: today, 64,000 of the company's 260,000 employees world-wide are in the town of 120,000 people.

Ironically, Nordhoff had been sceptical of the Beetle when Porsche first presented it to the German motor industry in the 1930s. After Porsche and his team refined the design, the Beetle (*The New York Times* probably was the first to use that nickname, in 1938) was put through an exhaustive series of tests, covering more than 30,000 miles. There were faults, but they were correctable.

However, the German industry was used to making cars for the elite. Manufacturers were dismissive about the idea of a car for the masses, especially when Hitler said it had to be sold for under 1,000 Reichsmarks (386). He also laid down that a people's car must do 100 kilometres an hour (just over 60mph) on the new *autobahnen*, seat four or five people, have low fuel and repair costs and be air-cooled. It was to achieve all this that the Wolfsburg site, with its good rail and canal connections, was chosen. But when Hitler laid the stone, war still was distant and the Nazi Government had more pressing matters on its mind than a civilian car. Also, says Bernd Wiersch, VW's archivist: "The plant was not really needed to create jobs, since unemployment had disappeared. And the German car industry was again in good shape."

Fifty years after Hitler's stone-laying ceremony, intense research is going on into VW's role in the war, how prisoners and forced labour from the East were

treated, and the nature of Ferdinand Porsche's links with the Nazis. "We are not evading this reality on our 50th birthday," said Carl Hahn, VW's present chairman, who was prominent in its US export drive early in the 1960s.

Hahn was speaking at a symposium on "Wolfsburg under the swastika" which was organised by the research team of Hans Mommsen, a history professor at the Ruhr University in Bochum who was commissioned by VW to study these issues. Mommsen is clear about one thing, despite contrasting opinions: "It was not planned as an armament works. Porsche wanted to build civilian cars."

Porsche's reputation has been tarnished recently by revelations that he had close connections to Hitler, who used his engineering skills to organise arms production, but Mommsen maintains: "He was not the type to be a Nazi." He was, anyway, of a different generation to most Nazi fanatics and already was in his 60s when war broke out. Mommsen says: "Porsche was a cunning Austrian who used the opportunity provided by the Nazis to achieve what he wanted" – namely, the establishment and (during the war) preservation of a facility to build his new car.

Certainly, he did not oppose the Nazis' forced labour system; but Mommsen says Porsche seems to have tried to improve conditions at VW where German workers, engineers and managers had charge of the thousands of imported prisoners.

The re-examination of the old wounds is in line with Germany's often-painful attempt to come to terms with the aberrations of the Nazi era. "It is necessary to get things clear," Mommsen feels. "But more important, I think, is that Germans should also understand better that today's favourable economic situation derives partly from NS (National Socialist, or Nazi) armaments production."

In the early post-war days, though, the emphasis was on reconstruction rather than reflection. "Much of the work was by hand and very tough. Conditions were primitive," says Hans Ziegler, a joiner who went to work for VW in 1950, moved to the paint section, and was later a member of the works council.

The growth of VW into a thriving world concern was barely a dream then. Nordhoff, criticised for not developing a successor to the Beetle, died in 1968. Kurt Lotz, the next chairman, began developing new models but it was Rudolf Leiding, taking over in 1971, who pushed through the next generation of Passat, Golf, Scirocco, and Polo cars. Neither man was particularly popular with the work force but Ziegler says: "For all his awkwardness and sharp edges, Leiding was the right man for the crisis. He knew how to push things through. Without him, we might not have done it."

Even then, there were problems. Toni Schmücker, who became chairman in 1975 after VW had fallen into massive losses, had to bring in a big voluntary redundancy programme before the car market boomed again. The Golf (in particular) proved its worth and the company was able to re-hire. In 1982, Hahn took over the wheel.

In its brief history, VW has lived down its Nazi origins, provided one of the world's most enduring (and endearing) cars, and become an industry leader. Along the way, it has stalled more than once. But VW was born out of crisis. In a way, it also symbolises Germany's dilemma as a divided nation. Just 10 miles apart, the four tall chimneys of the VW power station and the eerie desolation of the East German border, with its fences and watchtowers, are chillingly contrasting reminders of the legacy left by Nazism.

## The Long View

### Feel free to claim – in 100 years!



**Even in the middle of the silly season it is sometimes necessary to adopt legal precautions. But in this case they need not be taken too seriously...**

express permission for such manipulation of arguments to take place. However, the use of destabilisation will at all times be in accordance with regular Government practice.

Conflicts of interest may also arise. For example, the columnist might from time to time take positions in the mortgage

loan or liquid asset markets at the same time as he is giving opinions about interest rates. He might also have stock market investments which may be reduced or increased in advance of publication of opinions. There will be no disclosure of dealings in such liabilities and assets which may take place according to normal circumstances.

In this connection, you should also note that the columnist might take positions that may be in addition to, or at variance with, positions taken by other sections of the newspaper. Although "churning" of positions will always be avoided when there is awareness of the problem, readers should be alerted to the possibility that the internal security ("Chinese walls") between different departments of the newspaper may give rise to conflicting views.

Nevertheless, the columnist will put forward a recommendation only where the writer is of the opinion that it is the most advantageous available to the reader at the time.

This agreement provides for the supply of regular weekly columns 52 times a year. While every reasonable effort will be made to fulfil this commitment, no guarantee can be given that the columnist will be consistent or reliable or, indeed, intelligible.

You will be expected to pay interest on a variable scale. This partly will reflect Government economic policies, where these are conducted in such an

unstable manner that interest is raised temporarily. But the level of interest partly will be the consequence of private sector developments, and could be pushed up by intense speculation or overheated arguments. Generally, it is expected that interest levels will be high, although they may fall to nil in certain dull periods of journalistic recession.

While every endeavour will be made to ensure that the columnist provides a long view, there can be no guarantee that a long view always will prevail over a short view; or that, from the columnist's point of view, a view that is shorter than a long view will necessarily be regarded as a short view; or, alternatively, that a view that is longer than a short view will be regarded as a long view.

For the purposes of claims for consequential investment losses, and only for those purposes, the term "long view" shall be deemed to relate to a period of not less than 100 years, and no claims will be considered before such a period has elapsed.

Yours faithfully,  
Barry Riley

I am sorry that it has been necessary to replace my column with a legal document.

However, let me take this opportunity to say how wholeheartedly I support the new regulatory system. It gives me particular pleasure to advance the cause of investor protection in this way.

## MERCURY UNIT TRUSTS -AN INVESTOR'S GUIDE

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## UK MARKETS

LONDON

# Equities battle back against the odds

AFTER A BAD case of the Monday blues, the London equity market pulled itself together and decided not to get over-wrought about over-heating. There was plenty of evidence this week that the UK economy is obstinately strong, despite the repeated taps on the brake through interest-rate rises. But if there is worse to come — many analysts still expect to see base rates at 12 per cent, a full point over the present level — it could be some months away.

Monday's announcement that retail sales had jumped in July by a seasonally-adjusted 2 per cent over the previous month sent the FT-SE 100 index 26 points lower to 1,816.30, the lowest close since the beginning of June. Throughout the rest of the week, however, equities regained lost ground slowly and, by Friday lunchtime, Footsie was standing higher than the previous week's close.

The recovery was remarkable because there was plenty of statistical corroboration later in the week for the inferences drawn from the retail sales figures.

Thursday brought not only confirmation that the money supply still was growing outside the Treasury's target range — bank lending in July rose to a record £5bn, against a revised £4.8bn in June — but also evidence that investment by manufacturing industry continued to rise strongly in the second quarter. This prompted Warburg Securities, already one of the more-bullish

forecasters on the economy, to raise its growth estimate for the year to 4.25 per cent.

If the equity market was able to shrug off the signs that galloping growth had not yet been reined in, that was because the marks for the Chancellor's summer policy test are not due until the autumn. The mortgage increases at the centre-piece of the strategy take effect only this month and it could be September before consumers take stock of their lower disposable income, and the higher cost of borrowing, and change their profligate habits. Or so goes the hope.

With the broad market appearing by Friday to have resumed its sideways drift, most attention focused on the particular rather than the general. Sydney-based Goodman Fielder Wattie's £1.7m bid for Rank's Hovis McDougal, the bakeries and food group, was sent to the Monopolies Commission.

The unexpected referral, based on the possible effects on the UK bread market if GFW's highly-leveraged offer succeeded, suggested that the Government's policy on bid financing is somewhat ad hoc. RHM shares plummeted 50p to close at 403p on Thursday, up more than 15 per cent off the 478p peak on July 20 — the day Goodman launched its long-awaited offer officially.

The European Commission, meanwhile, blocked conclusively the G&C Brands bid for Irish Distillers but the Take-over Panel said Grand Metropolitan, one member of the

consortium, was free to bid on its own.

In the end, this could result in a similar carve-up of the group's whiskey brands, which include Bushmills and Jameson. In that case, Brussels will have made its point — that it has the power to intervene during a bid — without affecting the outcome.

On the other hand, by insisting that the brands be sold to the highest bidder and that a key 20 per cent stake in Irish Distillers be freed from its commitment to the bidder, the commission has opened the door to a rival offer, possibly by Pernod Ricard.

After RHM, the Office of Fair Trading next turns its attention to overseas holidays. Travel, Britain's largest pack-age-tour operator, bought Horizon Holidays, the third largest, from Bass for £75m. The deal holds out the prospect of a respite in a fierce price war that has bedevilled the market. Of course, that is not necessarily the way consumers will look at the question.

Acquisitive British companies were especially active in the US this week. The biggest of several deals was Fisons' \$460m (£271m) purchase of Pennwalt's pharmaceutical division.

John Kerridge, the drugs and horticultural group's chairman, will have little patience if its institutions cavil at Fisons' £165m rights issue. Last year, they used pre-emption guidelines to block a planned overseas equity issue. Fisons also

unveiled a 15 per cent rise in interim profits to £34.1m.

Hanson, meanwhile, continued its recent spate of disposals by selling the US-based Kiddie Fire Protection businesses to Pilgrim House Group, the UK electronics engineering company formed earlier this year when RHM took over Burgess Group. Hanson paid £1.7m for Kiddie last year.

General Electric Company also was in a buying mood: its A. B. Dick subsidiary agreed to pay \$150m for IGX, a US printing and graphic equipment group.

There was slight movement on two long-running contested transatlantic bids. The Californian insurer, Farmers Group, agreed finally at least to discuss the \$3.1m bid from BAT Industries.

Varo, a Dallas-based manufacturer of night-vision equipment, was similarly obliging once United Scientific Holdings, the defence equipment group, upped the ante on its five-month-old offer to nearly \$100m.

On the results front, Unilever, the Anglo-Dutch consumer goods group, started the week with second-quarter prof-

its of £391m, a 14 per cent advance in the pre-tax figure for the 1987 period. W. H. Smith, the retail and distribution group, lifted taxable full-year profits by 10.5 per cent to £70.6m and seemed at last to have found an acceptable way to sell its 50 per cent stake in Book Club Associates.

The exercise might not have been completely quixotic, however, uncovering as it did a hint of the ambivalence the company feels about its army of Sids.

More substantive issues were on the agenda at Racal's extraordinary meeting on Tuesday, at which shareholders approved management's plan for partial flotation of its telecommunications subsidiary, centred on the mobile telephone company Vodafone. Millicom, the US company which had promoted a rival plan for complete demerger, won the backing of 27 per cent of the votes cast.

In the end, the decision seemed to turn more on the issue of confidence in the management than the respective merits of the proposals.

Clay Harris

## JUNIOR MARKETS

## When the party comes to an end

IF YOU ARE thinking of throwing a surprise party, kindly exclude Bob Morton as a possible guest of honour. He has had more than his share of surprises this year and none has been good. Shareholders in F & H Group, an erstwhile maker of computerised industrial controls systems, likewise are unlikely to be in a party mood.

Trading in the company's shares on the Unlisted Securities Market has been suspended since May when F & H found itself in the unusual position of having to cancel a rights issue. This followed the discovery that its financial position — known already to be dire — was significantly worse than it had guessed.

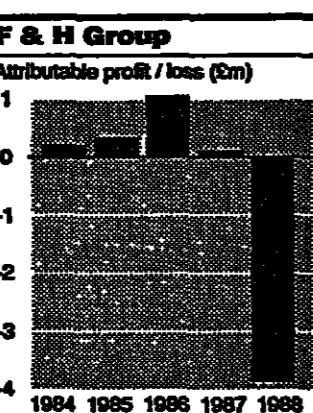
"Guessest" is no overstatement. Morton, who took over as chairman in April and is set to become the company's largest single shareholder with about 30 per cent, said this week that F & H had been plagued by a "total lack of financial controls."

Turnkey projects had been taken on without adequate assessment of the cost — or even an adequate means of keeping track. "The whole thing was a runaway bus," Morton added.

Now, after drastic surgery, F & H is ready to make a comeback. An extraordinary general meeting on Tuesday is set to approve the give-away disposal of the haemorrhaging heart of the group's controls business, and to give the go-ahead to a new, deeply-discounted rights issue. Trading is likely to resume on Wednesday.

Shareholders who attend the

	HIGHLIGHTS OF THE WEEK			
	Price y'day	Change on week	1988 High	1988 Low
FT Ord. Index	1484.5	-0.3	1514.7	1349.0
Alba	143	+13	145	88
Armstrong Equip.	123	-16	159	119
Bass	728	+12	867	758
Bentley (L) A	156	+23	160	118
Blue Arrow	99	+11	126	85
BP 'New'	532	-42	80	52
Cadbury Schweppes	387	+13	423	231
Camford Engineering	190	+13	204	131
Capitol Radio	320	+28	320	161
Irish Distillers	324	+36	335	125
Marley	170	-18	173	128
RHM	412	-39	490	303
Scot & Newcastle	366	+82	384	206
Standard Chartered	520	+17	553	407



meeting will find themselves looking at an experienced industrialist whose recent resilience could well reflect a similarly-unravelling episode only seven months ago.

In January, Morton steered Burgess Group — the electrical engineer he had headed since 1984 — into an agreed merger with RHM Group, another growing company in the same sector. The deal capped his four years as chairman, during which the value of Burgess rose from £2m to the agreed merger price of £100m.

Before the marriage was con-

summated, however, Burgess discovered weak trading results and financial problems in a West German subsidiary. Revised terms imposed by RHM cut Burgess's value to £91m and RHM took firm control of the combined group's management.

Although Burgess's planned board representation was reduced by two, Morton himself survived the purge and continues as deputy chairman of the subsequently-renamed Pilgrim House Group, which this week bought Kiddie Fire Protection from Hanson.

However, Morton's role was never going to be quite as active or as confident after the embarrassment. Having built up USM companies in the past, he turned his attention to F & H.

Established in 1967 as a general electrical contractor, the group bears the initials of its founders, who had stepped down from executive roles by the time it came to the USM in 1986. By then, F & H was a leader in programmable controllers for industrial processes.

The problems arose when it expanded too fast without adequate controls; for one thing, it

failed to account for the higher cost of using sub-contractors for software development. As the full toll began to emerge, F & H cancelled its three-for-two rights issue, leaving the Stock Exchange with the sticky judgment of letting bargains stand.

Morton's revised package includes a one-for-one rights issue (the £25m proceeds will give F & H four votes for each share of less than £2m), a stark indication of how bad things were;

and the sale of the UK controls business for a nominal £1 to Harland Simon, which also will assume £2.5m in liabilities.

F & H is left with three small operating subsidiaries: T. R. Mintz, an electrical contractor; Amveco, an assembler of electrical components for the motor industry; and a small process control business in West Germany.

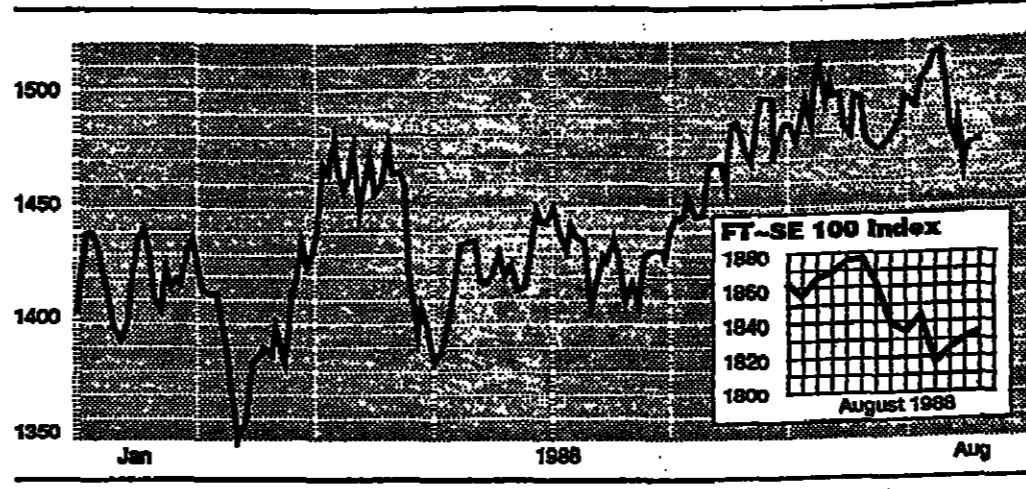
Morton admits frankly that they do not fit together logically but says he will be looking for acquisitions in electronics manufacturing and assembly. Above all, he has made sure that tight financial controls have been installed throughout the operation. He wants no more surprises.

C. H.

	INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY			
	Quoted rate %	Compounded return for taxpayer at 25%	Frequency of payment	Tax (see notes)
CLEARING BANK*				
Deposit account .....	3.60	3.66	2.93	monthly 1
High interest cheque .....	6.10	6.27	5.02	monthly 1
High interest cheque .....	6.50	6.70	5.38	monthly 1
High interest cheque .....	6.90	7.12	5.70	monthly 1
High interest cheque .....	7.30	7.55	6.04	monthly 1
BUILDING SOCIETY†				
Ordinary share .....	4.60	4.85	3.72	half yearly 1
High interest access .....	6.35	6.55	5.08	yearly 1
High interest access .....	6.60	6.80	5.28	yearly 1
High interest access .....	7.10	7.10	5.68	yearly 1
High interest access .....	7.35	7.35	5.88	yearly 1
90-day .....	7.35	7.49	5.99	half yearly 1
90-day .....	7.60	7.74	6.19	half yearly 1
90-day .....	8.10	8.26	6.61	half yearly 1
NATIONAL SAVINGS				
Investment account .....	8.50	8.66	8.10	yearly 2
Income bonds .....	9.00	9.14	8.63	monthly 2
24th issue* .....	7.50	7.50	5.40	not applica. 3
Yearly plan .....	7.50	7.50	5.70	not applica. 3
General extension .....	6.01	6.01	5.01	not applica. 3
MONEY MARKET ACCOUNTS				
Schroder Wagstaff .....	6.62	6.80	5.44	monthly 1
Provincial Bank .....	8.06	8.39	6.71	monthly 1
BRITISH GOVERNMENT STOCKS				
5pc Treasury 1986-89 .....	9.57	8.27	7.50	half yearly 4
8pc Treasury 1992 .....	10.10	8.03	6.78	half yearly 4
10.25pc Exchequer 1995 .....	10.02	7.48	5.95	half yearly 4
3pc Treasury 1990 .....	8.59	7.79	7.32	half yearly 4
3pc Treasury 1992 .....	8.10	7.27	6.77	half yearly 4
Index-linked 2pc rates .....	8.12	7.61	7.30	half yearly 2/4

\*Lloyds Bank/Hallifax 90-day immediate access for balances over £5,000. £8 special facility for extra £5,000. \*\*Source: Phillips and Drew. \*\*\*Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

## FT Industrial Ordinary Index

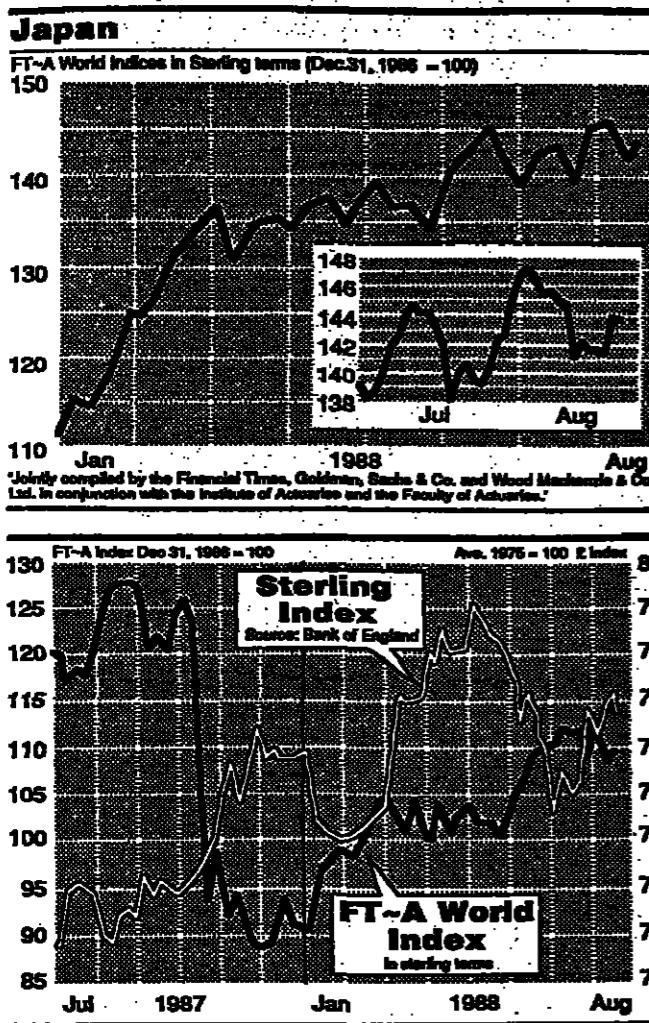


## COMPANY NEWS SUMMARY

## TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share\*\*	Market price per share\*\*\*	Value of bid over bid date	Bidder

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ON THE FACE of it, the Tokyo stock market is easing itself through the summer in its usual lazy way. On most days, the market has been content to drift along, keeping the Nikkei index around the 26,000 mark most of the time.

But, just beneath the surface, uncertainties that were beginning to unsettle the market a month ago are growing steadily more serious. Questions are being raised as to whether the market will be in a position to stage its traditional late-summer rally in the next few weeks, or whether the doubts in investors' minds will persuade them to leave their money on deposit.

There are a few clues for the future in the trading pattern of the past few weeks.

Certainly, the market summoned up enough energy early this month to push the Nikkei to a new high of 26,475.68, and on Friday it closed not so far short of this figure at 22,209.42. But the declines have been just as striking — on Wednesday last week, the market plunged 615.49 points, the biggest fall this year.

It would be wrong to read too much into this given that trading generally is slack, with volume hitting a low for the year of 223m shares on Monday — a fifth of the recent average. Nevertheless, there are some good reasons why the market should feel nervous.

The first is the growing expectation that interest rates around the world are on the increase. Japanese investors'

greatest concern is that the Bank of Japan might be forced to follow other central banks and raise the discount rate for the first time since 1980.

This fear was behind last week's 615-point fall, which came after the US Federal Reserve announced a discount rate hike on August 9.

Although the Bank of Japan attempted to quell those worries by suggesting that it would not raise its discount rate — and, so far, it has not — the uncertainty has made investors increasingly reluctant to take positions.

For the moment, the central bank is being guided by the policy it has followed since last year, which is to avoid doing anything that might drive up the yen against the US dollar.

However, some analysts in Tokyo feel that growing fears of inflation in Japan will force the central bank's hand — perhaps in the autumn.

These concerns were fuelled by the publication of statistics this week that showed industrial output in June had risen 3.3 per cent, much higher than the 2.6 per cent estimated originally. In addition, the wholesale price index, which has been falling for most of the past year, rose 0.6 per cent in

July after an 0.3 per cent increase in June.

These numbers sound insignificant by the standards of most other industrialised countries. But their importance lies in the extent to which they are signalling a change of direction.

Moreover, they came on the heels of a warning from the Organisation for Economic Co-operation and Development about inflation which pointed out the need to keep a watch on the growing money supply in Japan.

The money supply growth figures for July, also published this week, reinforce these concerns. The money supply grew last month at a year-on-year rate of 11.1 per cent, close to the level of most of the past year.

However, concern about inflation mostly takes second place to concern about the United States, especially its budget and current account deficits.

Japanese investors know as well as anyone that Washington will be too obsessed with the presidential election to consider serious changes in policy before the end of the year. So, hopes are pinned on the ability of the US to boost exports and

## JAPAN

# Nerves dog the dog days

## FT-ACTUARIES WORLD INDICES

Country	E Sterling £ Sterling	
	% change	% change
	Dec 31st	Aug 12th
Australia	+57.9	-9.9
Austria	-5.4	-15.2
Belgium	+18.2	-21.2
Canada	+18.4	-18.6
Denmark	+17.1	-0.6
France	+15.2	-20.6
W Germany	+5.7	-32.7
Hong Kong	+25.7	-19.8
Ireland	+38.4	-11.1
Italy	+3.0	-18.6
JAPAN	+23.0	-8.8
Malaysia	+43.7	-25.8
Mexico	+58.4	-51.4
Netherlands	+13.3	-24.1
New Zealand	+13.8	-38.1
Norway	+25.0	-33.9
Singapore	+14.0	-33.9
Spain	+7.4	-37.2
Sweden	+26.5	-34.4
Switzerland	+0.1	-33.2
UK	+8.7	-15.7
USA	+17.4	-24.4

• The Financial Times, Goldman Sachs and Co, Wood Mackenzie and Co Ltd 1987  
decrease imports, with exchange rates staying in the range of Y130-Y125.  
The belief is that the willingness of central banks to bloody

speculators' noses ought to continue supporting the dollar.

However, a reminder of the harsh realities came with the publication of worse-than-expected US trade figures this week. Tokyo reacted relatively calmly, mainly because Wall Street had also taken the announcement in its stride.

Meanwhile, Japanese fund managers have had plenty to discuss at home with one of the most serious stock market scandals of some time, centring on a company called Recruit Cosmos. It has emerged that politicians' aides and others received shares in Recruit Cosmos before it was listed in 1986 and made a killing after the flotation.

Also looking out into the autumn, the market is bracing itself to absorb a flood of issues — Japanese banks are continuing to raise record amounts to increase their capital in advance of new standards for capital adequacy. But, even if their efforts will be dwarfed by the sale of a third tranche of shares in Nippon Telegraph & Telephone worth some \$3.5bn.

Investors planning to buy NTT almost certainly will be able to rely as before on the strength of the economy. Growth is expected to slow somewhat in the second half of the year — which will ease concern about inflation — but probably will still be around 5 per cent for the year as a whole.

The responsiveness of the market to profits' growth was illustrated this month by the fact that Canon, the top camera company, was forced to announce its first-half results a week early because the figures leaked out unofficially. The official publication date was yesterday — yet profits were well ahead at Y9.1bn.

Investors also are seeking out companies with big assets, especially undeveloped property. Private railways have been popular for this reason. So has Sumitomo Heavy Industries.

Its shares soared so fast yesterday that they were suspended to allow clerks to catch up with trades. The company is planning to build a leisure centre on a former factory site in Tokyo Bay.

This kind of performance gives Hiroshi Taguchi, deputy head of the equities department at Nomura Securities, the confidence to forecast that the market should rise steadily to take the Nikkei to 30,000. "Domestic factors are good. Overseas factors are uncertain," says an equities manager.

Stefan Wagstyl and Michio Nakamoto

## WALL STREET

# So now there's a 'gridlock'

EVEN WITH the Republicans pledging 30m jobs, no tax increases and four more years of prosperity, Wall Street refused to be coaxed this week out of its confusion and torpor.

The party of business had hoped its New Orleans convention would focus attention on its economic achievements and policies. It quickly was disappointed. The talk instead was of how Dan Quayle, its vice-presidential candidate, managed to stay home in the National Guard during the Vietnam war.

Latching on to the Quayle style, investors avoided the firing line while economists skirmished over whether inflation or recession posed the greater threat to the markets. Only the day traders — firms playing

their own capital, programme traders, arbitrageurs and other market guerrillas — brought any volume to trading rooms.

The week started badly with stocks extending their sharp declines in the wake of the Fed's discount rate increase. By the end of Monday, the Dow Jones Industrial Average barely was hovering above the 2,000 level following a loss of more than 100 points in the five sessions after the central bank pushed up interest rates to choke off inflation.

Thankfully, Tuesday was something of a turning point. News that the US trade deficit soared in June upset foreign exchange and bond markets initially, but they recovered quickly and went on to build further modest gains

through the rest of the week.

Certainly, the upturn had all the signs of a technical bounce from a sudden sell-off. But the rapid recovery from poor trade figures also could indicate the start of a fundamental shift from a narrow focus on the dollar and trade data to economies in general, believes Hugh Johnson, chief investment officer of First Albany.

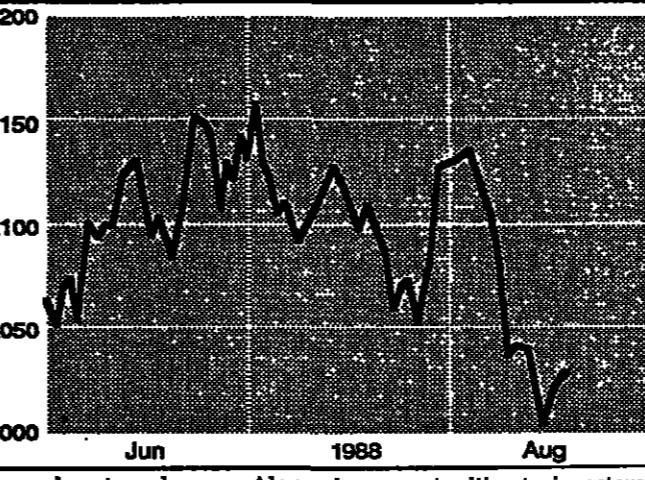
Investors, paying even more attention than usual to interest rates in major countries, are trying to gauge the prospects for higher rates, stronger inflation and slower growth. So far, though, there is a stand-off between conflicting opinions, he says. Thus, the market lethargy transcends any of the usual summer doldrums. It is a "genuine gridlock" which is

likely to persist well into early autumn.

The stock market is behaving as though the end of the long boom is nigh and corporate earnings are near their peak. Oppenheimer & Co says in its latest investment strategy report. However, the firm, like a number of others on Wall Street, argues that the Fed has a good chance of achieving a soft landing for the economy sometime late this year or early next.

Conditions are ripe, they believe, for the upturn in interest rates, peaking late this year, to dampen the economic growth rate to a non-inflationary level rather than triggering a recession. The economy will show third-quarter growth of about 3.5 or 4 per cent at an

## Dow Jones Industrial Average



annual rate whereas Alan Greenspan, the Fed chairman, told Congress recently that 2 or 2.5 per cent was the fastest it could grow without stimulating inflation.

Oppenheimer identifies a number of stock sectors offer-

ing opportunities to investors. It likes financial stocks, particularly regional banks and financial service companies. It thinks a number of well-capitalised blue chips, notably in beverages, drugs and tobacco, "offer excellent protection in a

sideways market." Utilities continue to give high dividend yields. Car-makers, benefitting from the weak dollar, are gaining market share from imports. "The auto stocks are extremely cheap and offer high dividend yield protection," Oppenheimer says.

One of the most widely-followed sectors on Wall Street is capital goods. With manufacturing capacity bursting at the seams to meet export and domestic orders, corporate America finally has begun to invest in new plant. Capital spending, reverting to a long decline, began accelerating about a year ago. Growing at an annual rate of about 10 per cent so far this year, it seems set for double-digit expansion for several years to come. Many companies making machinery, machine tools and other capital equipment are good bets.

Computer-makers are one big, black cloud in the otherwise rosy capital goods picture. Recent warnings from several

medium-sized companies about weak sales and profits have reinforced the feeling that the whole industry is under pressure.

Evidence is accumulating that even IBM is in trouble with its PS/2 personal computer line introduced 16 months ago. Its share of the personal computer market is eroding steadily for a number of reasons, including further delays in the introduction of its OS/2 operating system software, which would greatly enhance the machines' performance and make them easier to use. Moreover, there still are few programmes available written specially for the line.

With the market showing no signs of springing alive in coming weeks, fund managers will have plenty of time to trawl for likely stocks in these sectors.

Rod Oram

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## STATISTICALLY AVERAGE LUCK

A concept of considerable significance to the serious investor.

You may think of Premium Bonds as little more than a gigantic raffle.

Nevertheless, over 380,000 people have invested £1,000 or more, 58,000 have invested over £5,000 and 21,000 have invested the maximum £10,000.

Do they have more money than sense? Or do they know something you don't? Let's look at the arithmetic.

Underlying the prize fund is a rate of interest which is currently 6.5% per annum. This creates a prize fund of over £11 million a month, every penny of which is tax-free.

This in turn produces 185,000 prizes a month in the £50 to £5,000 range, weekly jackpot prizes of £25,000, £50,000 and £100,000 and last (but certainly not least), a monthly jackpot of £250,000.

Given statistically average luck someone holding £1,000 worth of bonds may expect to win a prize every year. Someone holding £5,000 worth could expect five prizes a year and someone holding the maximum of £10,000 worth, ten prizes a year.

Of course, chance seldom confers a statistical average on individuals, so most people will win either less often or more often than that.

It's even possible for someone with the maximum holding to win nothing in a year. But the odds against this happening are an impressive 55,000 to 1.</p

## FINANCE &amp; THE FAMILY

## How to make plastic pay

THE RISE in interest rates on credit cards in the past 10 days should make consumers pause and reflect about which of the increasingly-wide range of these will suit them best.

Alongside the old distinction between charge cards and credit cards, there are now substantial differences between the credit cards themselves that do not boil down simply to differences in the interest rates.

At one end of the market, charge cards – such as American Express and Diners Club – make you pay an annual fee for using them. You are supposed to pay your account in full every month (interest at a deliberately-punitive rate, is charged on overdue accounts). The main selling point of these cards is the "product enhancement" – access to superior services and goods – which they offer.

American Express, for instance, prides itself on offering a better level of round-the-globe service than its competitors as well as optional insurance and medical schemes. It aims at up-market customers, generally those who are not averse to a little massaging of their egos with a plastic status symbol that advertises their credentials deliberately.

Traditionally, credit cards such as Barclaycard and Access aimed at the mass market of people who wanted a financing instrument so they could buy something that otherwise would be just out of their reach. But much of the credit card market is more affluent and sophisticated than it used to be.

About 40 to 45 per cent of credit card customers pay off their bills in full each month. Those who never incur interest charges are, in effect, being subsidised by those who do. They are enjoying, free, the sort of charge card facilities for which American Express customers pay an annual fee.

If you belong to the 60 per cent of credit card-holders who are not in a position to pay off their bill in full every month, or want to use the card and the revolving credit that goes with it as a regular financing instrument, then you should think seriously about which one you carry.

There are now 23 different issuers of Visa cards in the UK.



Luncheon voucher? This must be one of the lower interest-rate cards, Sir, I presume?

Until then, those wanting to use plastic cards for relatively cheap financing should look to the lower-interest cards in the Visa market such as the new Chase Visa card, which has an APR of 16.9 per cent, or Save & Prosper's cards which have an even lower APR of 16 per cent compared with 26.8 per cent for Barclaycard.

The snag with both of these cards is that they are small players in the market and pre-

### There are now big differences between cards that aren't just interest rates

for up-market customers. Chase says the sort of person it favours is the young, upwardly-mobile client who needs to borrow a bit today but knows he is going to enjoy a large salary in the future. Chase launched its card in June and now has about 20,000 customers compared with 9.4m for Barclaycard and 15.3m for Visa in the UK as a whole.

Ian Lindsay, banking director at Save and Prosper says it is "amazed" that it does not get more applications for its card. He adds: "We estimate that there are about 5m potential customers who would qualify for our card but have not done so." So, if borrowing at the cheapest possible rate is your main purpose in holding a plastic card, changing from an expensive card-issuer to a low-interest one would seem to be common sense.

If you belong to the 40 per cent who pay off their credit card bills in full each month, and mainly like the idea of a monthly statement and the 25 days of free credit going with it, you will find that you are

David Barchard

## Warning for the unwary

IMAGINE paying £13 interest on a 25-day loan of £12. That was the unfortunate experience of one FT reader whose credit card bill for the month came to £1,012, but who paid only £1,000 by mistake.

Spokesmen for the major card-issuers confirm that this can happen. According to Barclaycard: "If you do not pay the outstanding balance in full on time, then interest is calculated on the entire

amount of the balance for the period between the statement date and the time when the interest would have been less."

The moral seems to be that, if you make heavy use of your card, you should watch the amount and timing of your payments very carefully. "We are in it to make money you know," said another card-issuer.

You have been warned.

D. B.

## BRITAIN'S TOP 100 COMPANIES

Why is Lord Heseltine (right) Britain's favourite industrialist? What makes BP Britain's biggest company? Why is GEC no longer the powerhouse it was? What does it take to become a corporate champion?

The August issue of Money Observer will put you wise about these and other facts about the UK's top 100 companies. It has assessed them and their wealth-creating abilities and has ranked them in order of importance.

The Top 100 are collectively worth £259 billion. If you are not sharing in their wealth, or even if you are, Money Observer is essential reading, for it keeps you closely in touch with these corporate leviathans. But there is much else in this latest 100 page issue to help you make the most of today's investment opportunities. In particular, there is Money Observer's unique performance guide to every listed share, plus comprehensive coverage of unit trusts, property bonds and investment trusts.

The August issue of Money Observer is out now at all leading newsagents, price £1.95.

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## FINANCE &amp; THE FAMILY

## Mortgage rate could soar to 15%

**COULD YOU** live with a mortgage rate of 15 per cent or more? Mortgage rates last touched this level in March 1982. Since September 1985, they have been under 13 per cent and most borrowers have felt relatively comfortable. Now they seem poised to rise back to heights not seen for several years. The implications for new home-owners who bought while rates were low last spring could be distinctly cheerless.

Many homeowners are likely to feel taken aback by the sudden turnaround in interest rates. Only a few months the banks' base rate dipped to 7.5 per cent, its lowest level for a decade. The Chancellor allowed rates to drop to keep sterling from rising excessively against other currencies.

Now his concern is to put a stop to a consumer spending spree that showing no signs of slackening off. A decade ago, the government would have dealt with the problem by slapping restrictions on credit. Today, thanks to the liberalisation of the economy during the Thatcher years, it has only one instrument to use - raising interest rates.

So economists are agreed that the base rate - currently 11 per cent - is likely to climb further during the remainder of the year. The question is how far will interest rates go up and how long will they take to come down again?

**MORTGAGES**

Uncertainty over this question is the chief reason why building societies and other lenders have not yet put up their rates after the latest increase to 11 per cent. Shifting rates upwards is both unpopular and expensive for them. They want to form a clear idea about how far the Chancellor intends to take rates before they move.

Broadly speaking the prognostications fall into two camps. The first believes that rates will not go far above 12 per cent. Others believe that the rise will be much more drastic.

One of the gloomiest prophets is Roger Bootle, economic adviser to Lloyds Merchant Bank. "I think it is likely that rates will hit 14 per cent."

"Demand is incredibly strong in the UK economy. It has not been so strong since 1973 and stern action is needed to bring it down. Base rates of 11 per cent in Britain are by no means unusual and will have no shock effect. It will take quite a sharp rise in base rates to do that. How long they will have to stay at their peak depends on how quickly the economy starts to respond."

Bill Martin, chief economist at the City stockbrokers Phillips and Drew, agrees. "I am forecasting that in the fourth quarter the base rate will be 12 per cent and could go higher to 13 per cent," he says. "In the first quarter of next year, there

people who think that rates will very likely be a further rise to above 14 per cent, perhaps 14.5 per cent. This will only fall back when the dollar starts to come down."

A more sanguine view still comes from Richard Jeffrey, economist at Hoare Govett.

"My feeling is that we are close to the top," he says. "A further 1 to 1.5 per cent on rates would be my maximum by the end of the year. The normal gap between the base rate and mortgage rates has been 1.25 per cent until recently when competition has brought it down a bit to 0.75 to 1 per cent."

Just how much difference this would make to their monthly mortgage servicing payments would vary considerably, but one might envisage increases of around £85 a month on a £20,000 mortgage, £175 on a £50,000 mortgage, and a hefty £262 on a £90,000 mortgage.

These figures suggest the obvious possibility of arrears and defaults. However, the building societies will move their rates cautiously and larger societies such as the Halifax now charge rates for the majority of their customers only once a year.

But the rise in interest rates may not necessarily be this sharp.

Tim Congdon, chief UK economist at Shearson Lehman Brothers until this week, has been forecasting for over a year that the base rate should be held at 12 per cent for six to 12 months.

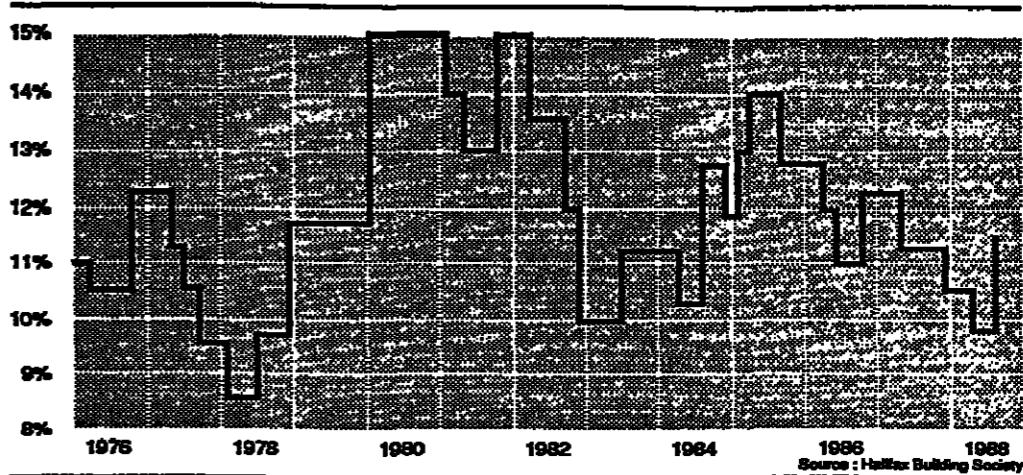
"But I don't agree with the

people who think that rates will stay above 13 to 14 per cent for long, though they could hit that rate for a month or two."

One consideration for both the prime minister and the Chancellor is the cost to their political popularity if they allow base rates to stay at 12 per cent or higher for very long.

But Bootle is unimpressed by this argument. "If they don't administer a sharp shock in good time, the long term cost to them will be much higher."

**David Barchard**

**Mortgage interest rate**

Source: Halifax Building Society

## Special deals to tempt home-buyers

**MORTGAGE** rates may be higher, but competition among lenders remains fierce. Abbey National Building Society this week announced a special deal, aimed specifically at tempting homeowners with mortgages of over £60,000 to transfer them to the Abbey National from other lenders.

Normally, any savings made by transferring your mortgage (to take advantage of a lower rate of interest) is offset by the costs involved in making the switch. But the Abbey is offering to reimburse any legal and professional expenses up to £250 and to provide a free report and mortgage valuation.

"But I don't agree with the

allowance by moving your home loan."

Meanwhile, Cornerstone, Abbey National's estate agents subsidiary, hopes to drum up extra business by offering its buyers up to £350 if they are gazzumped.

It says estate agents are duty bound to pass on higher offers to a seller, who might well be tempted to go back on their original commitment to sell at a lower price. But it is offering to pay up to £100 in wasted legal fees and £250 in survey and valuation fees.

National & Provincial is also offering a free insurance ser-

vice that will provide compensation if you lose money as a result of something nasty being revealed by local authority searches. The scheme, arranged with Royal Insurance, indemnifies home buyers against any loss in value due to an adverse entry in the local land charges register.

The Yorkshire Building Society has launched what it calls the Mortgage Rapide service, which promises that if an application for a home loan is received before 10am, an offer will be made by the following working day.

However, it will be of interest only if you really want to

John Edwards

## Umbrellas for a rainy day

FROM EARLY next year, the first funds under the Financial Services Act "recognised" category will be freely marketable in the UK.

Broadly speaking, recognised funds will be those set up in a European Community member state or under a regulatory system whose requirements are at least as good as those of the UK. European countries and offshore centres alike are at present in the throes of passing the necessary legislation, and authorising funds under the new regime.

An interesting side effect will be the new status of offshore "umbrella" funds, which will be allowed to be sold in the UK in exactly the same way as unit trusts.

Umbrella funds have been in existence since May 1984, when Garfmore launched its Capital Strategy fund. In the last year or so they have developed into quite an industry. There are almost 40 different funds of this type now in existence,



mostly run by financial groups of UK origin.

The umbrella fund has been marketed to both UK and expatriate investors. Its main advertised advantage to the UK resident is the ability to switch between the sub-funds free of capital gains tax. The umbrellas, or parent, fund technically has company status, with a number of different sub-funds, enabling the investor to put money into currency, bond and equity markets. A switch from, say, international bonds into Japanese equities is regarded as a transfer between different classes of share, rather than as a disposal for CGT purposes.

Once umbrella funds are freely marketable in Britain under the new rules, investors will have a straight choice between them and unit trusts, where switching involves a disposal for CGT and may also entail charges of up to the full spread between the bid and offer prices. This should give recognised umbrellas a tremendous marketing advantage, to say the least.

However, it can be expected that onshore unit trust groups are likely to protest strongly and demand "level playing fields" with CGT-free switching for unit trusts as well. Altern-

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ANTHONY COLBERT

*A farmer's three sons squabbled among themselves until their father decided to teach them a lesson. He told each of them to try to break a bundle of sticks. They found that, while the bundle could not be broken, the individual sticks could.*

THE MORAL of this story is that there is safety in numbers. ON SEPTEMBER 5TH we launch a new, rather different, investment opportunity founded on this principle. It is Henderson's Family of Funds. IT WILL CONSIST OF four funds, each of which will invest across a broad spectrum of the very best of other funds we consider suitable. Two of the funds will invest only in Henderson unit trusts while the others can choose from virtually the whole range of authorised unit trusts. BY INVESTING in this fashion you achieve a greater spread of risk. EACH MEMBER of the family has specific income or capital growth objectives, enabling you to choose the fund which is most suitable for you. OBVIOUSLY, we do not have the space here to explain all the details of how Henderson's Family of Funds will work, or the benefits to you. SO WE SUGGEST that between now and September you consult your usual financial adviser, or complete and return the coupon.

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Christine Stopp

## FINANCE &amp; THE FAMILY

# Flexible friend indeed

Several months ago I purchased goods, using credit cards. The seller has not so far, apparently, presented the vouchers of the credit card company and I have accordingly not paid for the purchase.

Could you please say whether I am legally obliged to inform the seller; if there is a time limit for the seller to present the vouchers and obtain payment; and could the seller legally and validly claim interest on the amount due for the period between sale and payment?

We think that you are not obliged to inform the seller, although it would be an honourable course to pursue. The contract between the seller and the credit company might impose a time limit: there is none under the general law. Interest would not be claimable.

## Dripping drama

One of the regulations and conditions of tenancy imposed by a housing association upon the tenants of its flats (sheltered accommodation) is that "all taxes to be re-weathered by the tenant whenever necessary." Is this permissible?

We think that the condition to which you refer is permissible since it relates to day-to-day maintenance of the installation and would fall within the duty of the tenant to use the demised premises in a tenant-like manner.

## Surprised at SERPS

The pensions booklet issued to my wife by her employer states: "If you do not join the company scheme, you will be in SERPS."

This has caused some consternation to my wife and other female employees who, like her, are (1) part-time and, until now, have been denied entry to the company scheme; and (2) have chosen, because of adequate financial security as a result of their husbands' pension arrangements etc., to pay the reduced-rate National Insurance contributions available to working wives and widows.

Would you please confirm that the bold and unqualified statement issued in the booklet is incorrect. As I understand it, those employees who earn less than £41 per week, or who are wives/widows paying the reduced rate contribution, will not be obliged to (and cannot even) participate in SERPS, even if they do choose not to enter the company scheme – or any other, for that matter.

As my wife is 44, and envisages the probability of giving up her part-time employment at 50 or thereabouts, participation in any scheme at this late stage would not be worthwhile.

The pensions book is giving a general statement of the law in that SERPS contributions must be deducted by the employer in respect of all employees who are not in a contracted-out scheme. However, if your wife's earnings (as you suggest) are below the lower earnings level to which SERPS applies, then she would not in practice receive any SERPS benefits.

With regard to your final point about benefits for this short period not being worthwhile, we would make the point that whether the sum involved be large or small your wife is at an age where SERPS, considered simply as its of contributions for its of benefits, is generally considered reasonable value.

## Question of indexation

I am an active private investor who from time to time pays CGT on my dealings in ordinary shares. I am now thinking of using part of my investment funds to deal in traded options. I accept that if I deal too often, then the gains on the traded options will be taxed as income rather than as a capital gain. In this event, will my gains on selling ordinary shares also be taxed as income, or will they still be taxed as a capital gain? Is indexation allowed on traded options (a) if taxed as income or (b) if taxed as a capital gain?

In practice, there is virtually no danger of your transactions on the Stock Exchange – in shares, securities, warrants, traded options or traditional options – being assessed to

income tax as adventures in the nature of trade.

A purchase and sale of traded options on the Stock Exchange ranks for indexation in the same way as a purchase and sale of shares. Where a traded call is exercised, the cost of the option ranks for indexation from the month of purchase up to the month in which the exercise notice is given to the London Option Clearing House; the total of that indexed cost and the cost of buying the shares then ranks for indexation from LOCH.

If an exercise notice is submitted on the last business day of a calendar month, therefore, you lose a month's indexation on the cost of the option; if the RPI for the exercise month is higher than that for the following month, this hiatus works to your advantage, of course.

No indexation is given in income tax assessments.

If eventually you decide to write traded options, make sure that your broker uses the segregated-file procedure (which is exclusive to LOCH, we understand). Your broker will be able to explain this procedure.

## Careless brokers

My stockbrokers used to hold my share certificates in "safe custody." When recently they introduced a charge for this service I declined to pay, and asked them to send me all my certificates by registered post. One certificate did not arrive and they have now admitted they have lost it.

They sent me the normal indemnity form to complete. I declined to sign this on the ground that it was not I who had lost the certificate. They replied that I had no option.

Is it correct that the people who lost my certificate can avoid all responsibility for their inefficiency by insisting that I indemnify the issuer against all potential liability?

We think that it is the duty of your stockbrokers to offer their own indemnity in a case where the certificate which was lost was held by them in "safe custody." We suggest that you insist that they face up to their responsibilities and that you refer their conduct to the Surveillance Division of the London Stock Exchange.

## Q&A

### BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered as soon as possible.

## Keeping it simple

My 90-year old aunt living in South Africa receives a German pension paid into a German savings account.

Her brother, resident in South Africa, and I have been granted power of attorney to draw from that account, since it is necessary at intervals to send her money.

To simplify matters, my uncle and I are proposing to bring money from Germany to invest here in a building society or similar medium.

How would this affect my tax position as a joint holder of such an account receiving interest on the capital?

Although you could escape the incidence of composite rate tax/reduced rate tax by making appropriate declarations, the consequent correspondence with the Inland Revenue might well upset your elderly aunt. Why not keep things simple by holding the money in the Channel Islands or the Isle of Man, for example?

Composite rate tax is levied on banks etc. in the UK whereas reduced-rate tax is levied on UK building societies.

## Solicitor's mark-up

Has a solicitor the right, and is it normal practice, to add on to his total bill an extra 50 per cent for "care/skill"? I would have thought it was the reason I engaged him in the first place and that he should not add on what appears to be a solicitor's tax.

The addition you refer to is to represent the "profit costs" – that is, the equivalent of a retailer's mark-up. The formula used is not very apt, as you point out.

## Weekend Business

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John Edwards on a 'safe' way to dabble in currency markets

# A game with one winner



"I'll give it back... we win!"

AN INVESTMENT where your money is kept in your own bank account, and you are the only person entitled to withdraw it, seems a safe way of dabbling in the highly unpredictable and dangerous currency markets.

That, in any event, is the basis for a currency management service being offered by Forexa (UK) a specialist company set up to manage private and corporate foreign exchange portfolios.

Investors (with a minimum of £100,000) who are worried about the value of their money being eroded by changes in the value of currencies are invited by Forexa to open a special bank account at either the Bank of Bermuda (Guernsey) or the Royal Bank of Scotland in Jersey.

The terms of the account, opened in the investor's own name, lay down that Forexa is appointed manager of the funds with power to switch them into any of five leading currencies – the dollar, Deutsche mark, sterling, Swiss franc and the yen. But that is the limit: the investor retains complete control of the account in every other way.

Although you might be safe from a Barlow Clowes disaster, in reality there is only one guaranteed winner. That is Forexa, which is given permission to gamble with your money on the currency markets and benefit from any winnings while not suffering any losses that might be incurred.

Charles Randolph, chief executive and leading shareholder in Forexa, agrees that his company is involved in no risk and

over the past four years in currency forecasting (with a daily advisory service put out over Prestel's Citiservice) and is able to deal in the currency markets at the competitive interbank rates, which are much cheaper than the normal retail rates.

You get the advantage of dealing in much smaller spreads between the buying and selling prices than that available normally to the private investor. In addition, interest on your money is paid at money market rates without any immediate deduction of tax, since it is held in an offshore account, and can be added to the principal.

Randolph says his company does not have to receive authorisation from any of the self-regulatory organisations since dealing in such transactions is not viewed as an investment. However, although the ban on any withdrawals being made from your account without your permission might be reassuring, it does not prevent the possibility of losses being incurred if Forexa gets the currency markets wrong on your behalf.

## CHESS

hoped he will be available for this year's olympics at Thessaloniki, so strengthening the UK challenge to the Russians.

Among the other top finishers at Blackpool, Bangladesh champion Niaz Mursheed showed brilliant tactical ideas while Michael Adams, at 16 the world's youngest international master, again advanced his reputation.

Thanks to Kleinwort Benson's sponsorship, there was a high calibre entry of talented young masters, but at the end, the top four places were all taken by those with the elite title of grandmaster.

Mestel always has been an inventive, creative player whose only real weakness is an occasional tendency to over-optimum. His talent showed up early and he was invited to the Hastings Premier when only 15. He was a regular member of England's olympic and world championship teams until, in 1986, he refused to compete at Dubai in protest against the exclusion of Israel from the olympiad that year. Now, it is

hoped he will be available for this year's olympics at Thessaloniki, so strengthening the UK challenge to the Russians.

White: W. Watson.

Black: N. Mursheed.

Pirc Defence (Kleinwort Benson British Championship 1988).

1 P-K4, N-QB3; 2 Q-B2, P-K4; 3 P-KR4, P-Kr3; 4 E-KB4, Q-NQ2; 5 O-O-O, P-K4; 6 P-KB4, Q-NQ2; 7 Q-K2, O-O-O; 8 Q-Q2, Q-QM2.

So far, White has developed

actively, but here he should

prefer 14 R-Q4 followed by

Q-Q2 to combine pressure

against Black's QP with

threat to the queen's side.

14 KN-Q2; 15 K-N1 (15 QxP; N-B4 is very good for Black); 16 B-K2; P-QN4.

F.D. Yates, the leading British master of the 1920s, specialised in king's side pawn attacks after castling – normally by K-R1, R-KN1, and P-QN4. A corresponding queen's side advance takes a valuable extra move so is rarely seen, but Mursheed's is no novelty. From moves 16-20 sets Black's attack in motion so quickly that White cannot find a defence.

17 P-B3, N-B5; 18 B-N1, P-KB2;

19 Q-Q3; 20 K2-K1, R-N2

(so that if 21 QxP? PxP ch wins); 21 Q-N1, R-Q1; 22 BxP, PxP ch; 23 BxN, BxN;

24 Q-B1, N-B5; 25 R-QN1, P-Q4;

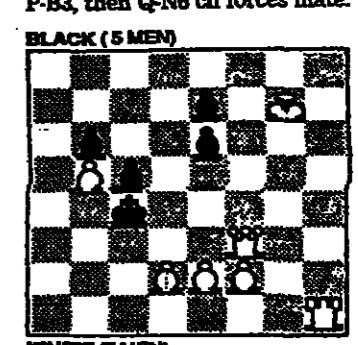
26 E-B4, B-N7; 27 Q-K1?

Now, White is overwhelmed:

his last chance was 27 Q-Q4; P-B6; 28 B-B1, Q-B4; 29 R-KB4; P-Kr3; 30 RxP, NxR; 31 E-KN1, R-Q2; 32 Q-Q2, PxP; 33 Q-K2, R-N3 ch (a neat reprise of moves 19-20); 34 K-E2, Q-N3; 35 R-QM2.

If he stops Q-N7 mate by 35 P-B3, then Q-N6 ch forces mate.

BLACK (5 MEN)



White mates in three moves against any defence (by J. Berger). White has the crushing material lead of queen and rook so this puzzle looks easy to solve; but White's first play is among the most surprising of all problem keys, seemingly irrelevant to the action.

Solution Page XV

Leonard Barden

## FRANCHISING

The Financial Times proposes to publish this survey on:

Saturday 24th September

For a full editorial synopsis and advertisement details, please contact:

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## TRAVEL &amp; MOTORING

Wildside/Salt marshes: Michael J Woods and Michael Thompson-Noel visit Wales, the French Camargue and Norfolk



## A race without rules

AS THE 15th-century pageant wound its way around the piazza in front of a crowd of 50,000, its excitement pounding to the rhythm of an incessant drumbeat, I turned to my informant and asked about the last preparations that jockeys and their connections would be making in these final minutes before the off. "Ah," back came the reply, "they will be consulting the vets about what, if anything, to give the horses at the last moment. Not all do it and not every horse needs something, but occasionally a stimulant is thought useful."

To a bookmaker's son raised on the sacred value of Jockey Club rules, it came as something of a surprise last Tuesday to learn that the Palio di Siena is administered according to a quite different code. Although there is an alleged rule book which prohibits many of the sins against which the British racing authorities pit their moral and legal strength, in practice almost anything goes before, during (and frequently after) this extraordinary race around Siena's exquisite oval: the Piazza del Campo.

But then, the Palio is not a mere race. It is a battlefield upon which ancient rivalries are played out, a mixture of the sacred (each Palio in July and August is dedicated to the Madonna) and the profane, which allows the Siensi to indulge their taste for some what vigorous competition. It is also all a vivid and colourful example of the irrelevance of rules of conduct in the face of human deviousness, which can be found in virtually all aspects of Italian life.

To the many thousands of foreign tourists crowded into the centre of the piazza last Tuesday, the Palio may have seemed like a slightly dotty and dangerous ritual mounted largely for their benefit. But those who had spent more than a day in the city would have been made aware that the Palio is for the Siensi such a the almost-sacred-concertation given to preparing for those 75 seconds in which 10 horses are ridden bareback three times around the Campo.

Following selection by a committee of experts, each horse is allocated by lot to the ten contrade, which are similar to small parishes, and the seven not taking part are guaranteed participation in the next Palio. The contrade, having once been groups of medieval mercenaries, in many cases now exist only to organise and finance the Palio. And organise they do in the most thorough sense of the word.

Fabio Ruggini, a professional anaesthetist who is captain of the Selva contrada, gave me a glimpse of the dark world of collusion between rivals, byzantine negotiations and occasional dirty deeds during a short conversation before Tuesday's contest. Jockeys with only an outsider's chance will look to share a potential winning rider's purse by offering to block out adversaries. A contrada cursed with a modest horse will pass on a high quality jockey to another with a better chance so as to defeat the third contrada which it regards as its ancient enemy.

Although Mr Ruggini assured me that, in prospect, Tuesday's race was one of the more open Palios because several deals had come unwound in the 24 hours before the line-up, I watched with scaleless eyes as the horses emerged at 7pm to hysterical cheers.

After a 20-minute delay at the start, caused by tactical jostling, biting (the horses of each other) and sundry misdemeanours, the rope had been pulled away and the jockeys began to borrow heavily from the Mike Tyson handbook. Whips flailed and the encounter with the near-right-angle San Martino bend resulted in what looked to me to be an organised pile-up which took the Turro horse out of contention and his jockey to hospital.

The result was a runaway success for the Aquila contrada, its first victory for 7 years. From the tears of joy coursing down the faces of Aquilans as they emerged from a quick prayer of thanks, giving in the cathedral, one might never have known that their day of glory would see them back a minimum of £400m (£175,000). Most of this goes to the winning jockey, but the contrada itself must also foot the bill of a celebratory dinner for 200 to 300 people.

I almost forgot to give you Mr Ruggini's tip for this "open" Palio. That's right, Aquila.

John Wyles

## The salt of the earth

THROUGH a concealing screen of reeds I watched the orange half of sun creep into view. It brought much-needed warmth to me, as well as a light to the landscape which reflected on the pools of saltwater on the marsh in front.

A flock of waders, all legs and beaks and excited cries, flew past in a swirl of wings. Then across the face of the sun itself came the horses — only a small herd, black shapes splashing through mercury. They plunged through the shallow creek in a shower of silver and cantered away over the glasswort which hugs the ground in a green and red carpet.

This could have been a scene from the Camargue, in southern France. Instead, the location was south Wales, on the north coast of the Gower peninsula. Most people who visit Gower rush to the south where miles of sand, backed by spectacular rocky cliffs, are the perfect setting for a day on the beach.

The north is the shoreline of the Loughor Estuary, and is recognised for its wildlife importance, although not necessarily for its outstanding beauty. At the narrow end of the estuary the rather scrubby village of Penclawdd looks across to the industry and docks of Llanelli. At low tide, cockle collectors still set out to the sand from here, for Penclawdd was once the centre of the cockle industry. Everywhere, old white shells crunch underfoot. Travel west along the shore road at the edge of Llanidloes Marsh, part of this huge area of this northern coast which is owned by the National Trust, and you will find that the road is inundated

with salt water. The ponies live on the marshes. Hardy but not very bright, they are often caught by the tide and stand while the water laps at their sides and over their backs. Sometimes they are forced to swim to higher ground, one or two breaking away and then the rest following with only their heads visible above the choppy grey waves.

The ponies and the sheets of saltwater help, but it is not a great step from north Gower to the Camargue. River estuaries, with their sand flats and saltings, the ever-changing

trouversy.

Shelduck "aunties" bring their charges here in the summer — broods of ducklings whose parents have gone off to feed. They breed all along this north coast, commandeering rabbit holes in which to nest so as to conceal the beautiful but rather bright plumage of the female while she is incubating.

You may see elders bobbing in the waves beneath the old lighthouse whose railings and superstructure will be adorned by a roost of cormorants. The ghoulish cast-iron form is enhanced by the addition of these gaunt birds, which perch on its railings and spread their ragged blacks wings to dry, like a coven of seawitches.

Perhaps the most interesting time to visit north Gower is in winter, when the waders collect at their noisy best and a disturbed crowd of redshanks speeds away over the water in a dark cloud. If the day is fine, the flock, turning suddenly, will disappear, their white undersides blending perfectly with the gleaming sea. Another twist and the flock reappears, but only for a few seconds before it becomes invisible once more.

The ponies live on the marshes. Hardy but not very bright, they are often caught by the tide and stand while the water laps at their sides and over their backs. Sometimes they are forced to swim to higher ground, one or two breaking away and then the rest following with only their heads visible above the choppy grey waves.

The ponies and the sheets of saltwater help, but it is not a great step from north Gower to the Camargue. River estuaries, with their sand flats and saltings, the ever-changing

qualities of light and scene created by the huge movements of water and the abundant animal and birdlife that come to feed, can be fascinating and beautiful places.

Their natural flatness can also make them bleak, and there is little difference between a grey day on Gower, with sheets of rain driving up the Loughor River from the Atlantic, and trying to enjoy the Rhone delta with the mist tearing at the reeds and lashing the stone pines when you are dressed for sunshine.

At Arles in southern France, the Rhone divides and the triangular delta which lies in the fork of the river has the Mediterranean as its base is the Camargue. The apex is the oldest part deeply silted and well protected and drained, it makes good farmland.

Further north, the Camargue is still growing with material carried down by the river. This is where the great flocks of birds are found. The shallow saltflakes, or estangs, are flooded periodically, and the warmth of the sun creates an invertebrate soup which feeds thousands of birds. Several species of herons and egrets, curved billed avocets and black-winged stilts, on improbably thin legs, are all present.

Probably most exciting, however, are the flamingoes. As they fly home to their nests from their feeding grounds, they look like glorious flying pencils. They are quite beautiful in flight, for the pale pink of their heads, necks and bodies is enhanced by wings of deep pink and black. Against the rose sky of a Mediterranean sunset, the effect is breathtaking.

Look out for good salt marshes to visit either in



Three Cliffs Bay, on the northern shoreline of the Gower peninsula in Wales

Britain or abroad. You may not find them mentioned in conventional guide books, but natural history and bird-watching guides are useful sources of information.

Remember that they can be exposed places, so go adequately prepared — especially as the weather frequently changes with the incoming tide. Take binoculars, or better still a telescope, and remember

Road, Ammanford, West Glamorgan.

Reserve permits for the Camargue may be obtained from Monsieur le Conservateur, Reserve Nationale de Camargue, Mas de la Capeliere, 13200, Arles, France, or from Reserve Zoologique et Botanique de Camargue, 2 Rue Honore Nicholas, Arles.

M.J.W.

## Coasting along the dunes



**Y**OU can overdose on grandeur (the Rockies or the Scottish Highlands), just as you can have too much of the teased prettiness of certain English counties, like Hampshire or Wiltshire.

To clear the head and clean the lungs, what I like are savannahs and plain, flatness and emptiness, wind and sky, sand dunes and salt marshes, all of which carry right of fitness pleasure deep in my genetic memory. Try as I might, I can find nothing in the memory bank about swinging at the tree, although I suppose it must be there.

To escape life's trammelled conditions, I often worse than change in the direction of the north Norfolk coast, raced by

naturalists as one of England's most unspoilt coastlines, thanks to its sand flats, shingle ridges, spits, dunes, marshes, sandstone and extravagant dunes (more than 260 species).

There are a number of natural reserves along this coast, owned or administered by the National Trust, the Nature Conservancy Council, the Royal Society for the Protection of Birds or the Norfolk Naturalists' Trust, the latter of which has responsibility for properties covering nearly 36,000 acres in representative parts of the county, including Broadland, Breckland and the

coastline.

These properties include Clay Marshes nature reserve, which extends to well over 400 acres and includes the shingle banks and saltmarshes along the River Glaven. The whole area is a noted bird sanctuary famous for its rarities.

The autumn migration — already under way — extends over many months. By October, endless flights of starlings from eastern Europe are sweeping by. Chaffinches and linings move westward. The night sky billows with redwings, fieldfares, blackbirds and goldcrests, while flights of snow buntings, several hundred strong, frequent the shingle ridges.

When you have done with birdwatching, you can fossick for oyster, cockle and scallop

shells. In late summer migratory sea trout enter the shallows and grey mullet cruise in shoals along the shore, their dorsal fins visible above the water.

To conduct a reconnaissance of the wider area, you should get *North Norfolk by Car* (£12.50), a useful booklet in the Jarrold White Horse series that provides a main circle route of 120 miles, most of it through unspoilt countryside.

Blakeney is another magnificent natural bird sanctuary, while the boats will take you to view the large colony of common seals on the sand spits beyond the point. There is a disease killing North Sea seals at present, so numbers may drop sharply.

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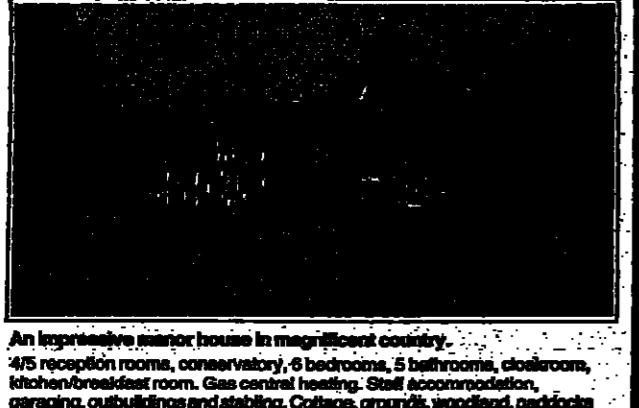
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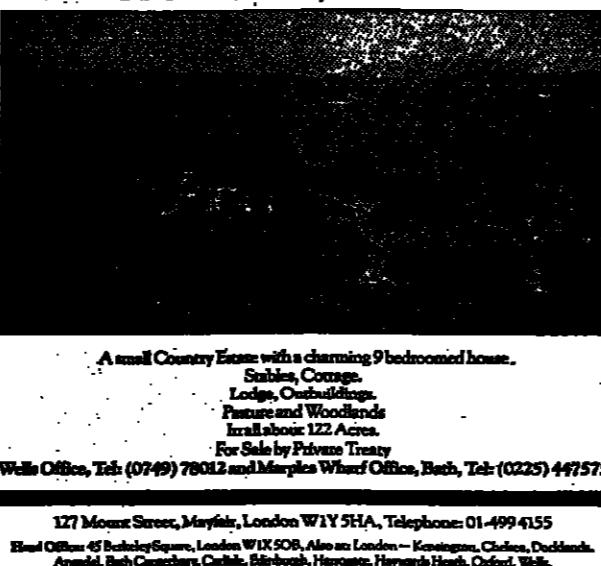
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## WEEKEND FT REPORT - CAREERS AND COURSES

# After the exam news

**Alan Forrest looks ahead to vital days for pupils and parents when all the results come in**

EXAMS, like the poor, are always with us. They change, certainly, and at the moment a kind of revolution is in progress on the exam scene. But whatever happens, anyone hoping to grab a few of life's glittering prizes will have to come to terms with them.

This message is particularly apt at this time of the year. Next week the results of the first sitting of the new GCSE will be out. It is not intended in this survey to make any judgments on the controversy raging over the new exam, but it must at least be looked at.

The exam's champions argue that its special emphasis on course work produces a more complete student than the kind of exam which depends just on getting the answers to the exam papers right. After all, they argue, the increased concentration on the course work only follows the example of some of the new universities for their degree studies. And surely it is better for a student to study a wealth of texts instead of just a few set books.

Bryan Greetham, a senior tutor in politics and philosophy at one of the leading further education colleges, puts both sides of the argument simply and imaginatively in an article in a recently-published education guide: "In theory, the greater emphasis in developing the skills of subjects, like history and the natural sciences, rather than just factual recall, should produce more students who can function confidently within their subjects at higher levels. . . . However, some teachers fear that the weaker, less confident student will find this too intimidating, so that as the deadline for handing in course work approaches, an increasing number of students will resort to more regressive learning strategies, copying heavily from cribs and other study aids."

Another worry about the new exam is disclosed in a survey conducted by *The Independent* newspaper. Does GCSE,

*In spite of all the examination problems, there are many options open to students*

reckless, assertion by Angela Rumbold that "they change A Levels over my dead body" it seems that GCSE has significantly altered the approach to A Levels.

"Reform, therefore, seems inevitable. . . . the preparation of students of A Levels or their equivalent must change and this must involve a more systematic and rigorous approach to the development of study skills if students are not to find themselves struggling with unnecessary problems."

But whatever happens, now is a vital time for parents and students, some of whom will be feeling pretty sick when next week's results are known and they are thinking about retaking exams. This can be done in November and January depending which exam board the pupil is under. It is believed, though, that boards will be flexible about retakes.

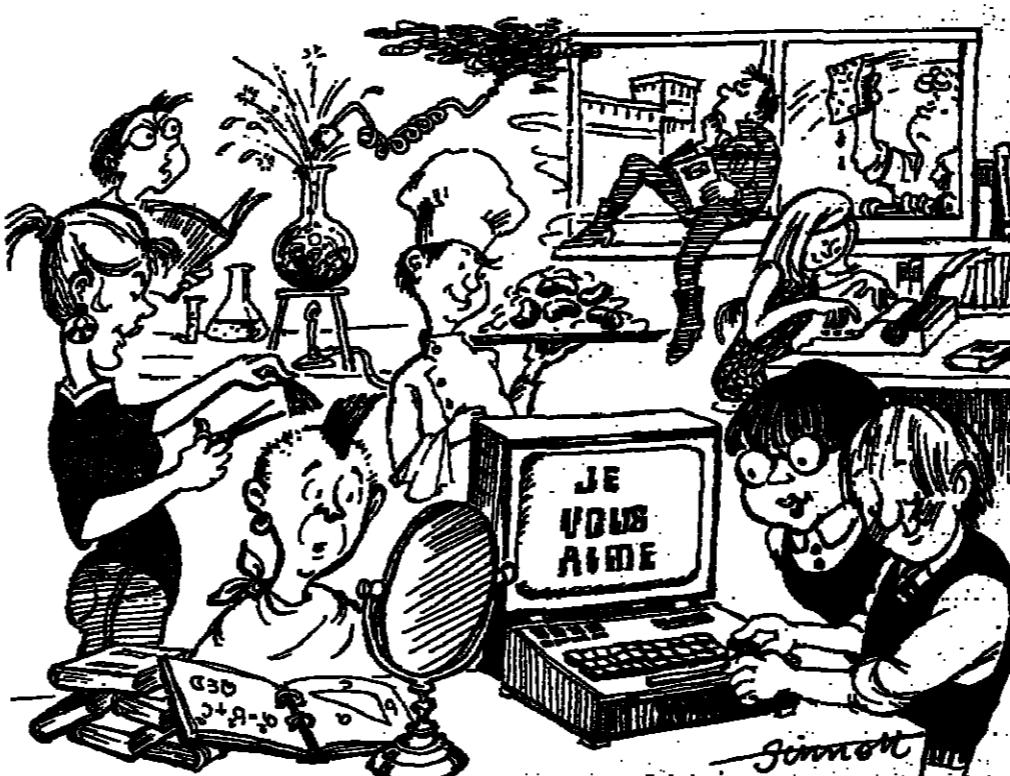
This survey will look at some of the independent col-

leges where GCSE and A Level work can be done, although even some of the pillars of independent education recommend that staying at school for the next step is probably the best idea for many pupils. For anyone looking for an exam, either retake or first go, adult or teenager, an indispensable aid is *The Gabbittas, Truman and Thring Guide to Independent Further Education*, produced by this leading firm of education consultants. Its section on colleges of independent further education, GCE and Tutorial Colleges ranges widely over the country.

In London the choice is wide. There is Collingham Tutors, not far from the Earl's Court Exhibition Centre where tuition is said to be excellent and the setting like an elegant town house, but fees are steep - ranging from £300 a term, part time, to £1,000 full time. accommodation in hostels or with local families costs another £50 to £75 a week.

Davies, Laing and Dick Independent College in Pembridge Square, W2, charges £800 for one A Level retake and £4,500 for a year's full-time course of three A Levels. All the London schools are pretty high-priced and even around the country there is not very much of the cheap side. For example, if you want a rural setting, Symondsbury College at Bridport gives you a manor house to stay in and the Hardy country and Dorset coast to explore - at £300 to £2,000 a term plus £55 a week for accommodation. On the brighter side, the college claims a general pass rate of 90 per cent and 100 per cent in secretarial subjects.

St Clare's College, Oxford, is worth examining. One of its specialities is courses for the International Baccalaureate, an examination championed fiercely by many educationalists for its mix of the humanities and the sciences for all students. St Clare's fees are steep - £6,600 a year including accommodation.



## Towards a vocation

**David Thomas on a bewildering array of choices**

**T**HOUSANDS of students contemplating their A level and GCSE results this year will decide to throw in their academic careers and plump instead for a more vocational route. But before rushing into the first job available, many will want to consider the range of vocational courses which could improve their prospects in the world of work.

By comparison with the neat progression from GCSE through A level to degree on the academic side, vocational courses come in a bewildering array of shapes and sizes. Efforts have been made in recent years to introduce order into the chaos, yet many students pondering vocational courses will still require guidance.

Local authorities careers officers can help steer students through the maze, as can private sector careers and educational consultancies. They will help students find courses suited to their grades and tell them about courses still with vacancies.

Many vocational courses after A-level fall under the Business and Technician Educational Council (BTEC), established in 1983 as the umbrella

body for junior management and technician vocational education. BTEC courses cover a wide range of subjects, from engineering, through computing, business studies, art and design, applied sciences, construction to agriculture and mechanics.

There are two main BTEC post-A level qualifications. The full-time Higher National Diploma is typically taken over two years; students studying for it are eligible for a mandatory local authority award. The part-time Higher National Certificate is normally taken as a sandwich course over three years with periods of study leave from one's employer.

The standard minimum entry requirements for BTEC post-A level courses are one A level pass and four O levels or equivalent. They are generally reckoned to be equivalent to a pass degree and some careers officers say they are in greater demand by employers now that the graduate market is so buoyant.

Over the next few weeks students can plug into a vocational vacancy network run through local careers offices known as the Advanced Further Education Information Service (AFEIS). Careers officers sent two lists of vocational courses still available this year by AFEIS: the first, despatched on August 8, will already be with them; the second is an updated list sent out on September 6. Last year about 14,000 young people won places in higher education after being interviewed by careers officers during the AFEIS period.

The AFEIS list covers all BTEC full-time and sandwich courses. Information is available through AFEIS on vacancies at both polytechnics and colleges of higher education, although the polytechnics operate a separate clearing system for vacancies on their academic degree courses. AFEIS also details vacancies in other post-A level vocational courses, such as in art and design, physiotherapy and BEd degrees and on accountancy foundation courses.

The one-year accountancy foundation courses are an example of one of the numerous course-based routes into the professions. The best sources of advice on them are usually careers officers or the professional associations themselves. The Chartered Association of Certified Accountants (ACCA), for instance, has a

two-year, six subject course leading to university entry in Britain and worldwide. Ideal for the academic student who wishes to maintain a broad range of subjects.

Scholarship Examinations March 1989

student service which is happy to answer individual queries.

ACCA points to two main ways to become a certified accountant, which unlike chartered accountancy is still a predominantly non-graduate profession. Either join an accountancy firm or an accounts department and combine part-time study with work experience. Or take a full-time course.

There are a number of options for those wanting to follow a full-time student route into certified accountancy, but two stand out. The student can either take a three-year certified accountancy course, which in a handful of colleges is eligible for a mandatory grant, followed by work experience, or take the one-year general accountancy foundation course, followed by on-the-job training plus study leave for further exams.

Accountancy is also offered by private colleges, which cater for almost every vocational course imaginable. Anyone contemplating a private course faces the initial task of finding out just what is on offer from a sector which, on one estimate, numbers well over 10,000 colleges.

Perhaps the best starting point is the Directory of Independent Training and Tutorial Organisations (known as DITTO) to careers professionals.

Although written a couple of years ago, it is still a valuable guide to the private sector.

DITTO lists hundreds of colleges offering courses in 12 main areas including business studies, creative arts and crafts, hotel management, childcare, building, beauty treatment, flying and driving. While an excellent information source, the book also comes with a 'health warning'. Its authors give a checklist of 20 questions which students should ask themselves before launching into the unregulated seas of the private sector.

Top of that checklist is the question: is the course accredited in some way, so that certain standards are ensured? One way to answer this question is to check whether the college has been visited by the British Accreditation Council, a voluntary body set up after

the Department of Education and Science abandoned its monitoring of the independent education sector in 1982.

The council sends independent inspectors to check on the standards in the private sector. It has also recognised a trade association, the Conference for Independent Further Education, as competent to do the same. The council says that private colleges are increasingly interested in wearing its badge of respectability, but it remains early days: only around 60 colleges are accredited so far.

Some courses are very much the province of the private sector. This applies, for instance, as DITTO points out, to modelling, acting, dance, Cordon Bleu cooking, and driving and riding instruction training. There are centres of excellence within most of these, though often with fees to match. Sotheby's, for instance, offers a range of heavily subscribed courses in antiques and fine and decorative arts: the 9-month course costs £2,175 and the three-month course £1,540.

The private sector also shares with the public sector training for a whole gamut of post-GCSE vocational courses. There are umbrella bodies parallel to BTec in several of these. Thus, the Royal Society of Arts covers the secretarial area, as does City & Guilds the craft area.

Last but not least are the correspondence colleges, which cater for thousands of students trying to improve themselves. They too have an association which can help with queries.

For more information contact: Mr Tony Hiron, BTec Central House, Upper Woburn Place, London WC1H OHB.

Student Services Department, The Chartered Association of Certified Accountants, 29 Lincoln's Inn Fields, London WC2A 3EE.

British Accreditation Council, c/o Middlesex Polytechnic, Bounds Green Rd, London N11 2NQ.

Association of British Correspondence Colleges, 6 Francis Grove, London SW19 4DT.

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## DIVERSIONS

# Mountain slickness

Peter Gillman reports on a fine year for UK climbers

**O**NE IS not supposed to be patriotic about such things; but it has been a terribly good year for the British in the Himalayas. Last week's news that two UK mountaineers had climbed the north-east ridge of Everest — although the precise status of their achievement remains a matter of controversy — crowns a formidable list of achievements among the world's highest peaks.

In contrast to 1987, when storms of almost unprecedented ferocity pinned most expeditions in their base camps, this year's climbers have been blessed with the fortune of good weather. But, luck is not the only commodity required to climb mountains: it has to be accompanied by sound planning, good leadership, technical prowess, virtuosity and imagination. All of these qualities — in differing proportions — have featured in the British expeditions which have reached their summits. With the mountaineering season not yet over, there could be further triumphs to come.

Somewhat perversely, the account of the British year begins with a failure. That is because the international expedition which attempted a winter ascent of K2 — at 8,611 metres, the world's second-highest peak — did so in the wake of last year's appalling weather. It is safe to say that the British members, John Barry and Roger Mear, came home awestruck at the weather they had encountered. For Mear, who previously had retraced Captain Scott's footsteps to the South Pole, enduring ferocious Antarctic blizzards en route, that is no casual statement. "It was worse than the worst weather in the Antarctic," he says, "and it just went on and on. We lay in our tents day after day, listening to the rumbling of the wind. It was the sheer power that was so formidable."

Barry was compelled to return to Britain after succumbing to a virus infection while Mear remained to take part in what became a campaign of attrition. In three months of waiting and climbing, he with Polish and Canadian colleagues, reached just below the Shoulder, the snow platform where the fearful drama of 1986, including the deaths of Britain's Julie Tullis and Alan Rouse, were played out. That was the limit of the expedition's endeavours and, with food and supplies dwindling, it was compelled to withdraw. It was, all in all, a relieved as well as an impressed Mear who returned in the spring. "To be honest, I was quite scared about the whole business," he says. In such circumstances, mere survival can be considered a victory on its own.

Mear's homecoming coincided almost precisely with the return of Chris Bonington to Menlungtse. Bonington, it might be recalled, made his first attempt on this shimmering coral-coloured peak, close to Everest, in 1987. He, too, was defeated by the outrageous weather. This year's second bid proved something of a watershed. He failed to reach the summit and, now, at 54, says: "I don't think I've got the application to go for these big, hard, technical climbs."

There was a curious outcome to the expedition, for media attention focused almost exclusively on the animal remains it brought back, with the *Daily Mail* claiming that they constituted evidence for the existence of the yeti (the Natural History Museum, called on to adjudicate on the outcome of bets placed with bookmaker William Hill at 66:1).

And so to Everest. In 1987, the weather defeated all but one of the dozen or more expeditions laying siege to it by a variety of routes.

However, in the past decade there have been several notable ascents of Everest, representing the latest advance in mountaineering standards.

Once, climbers spoke in awe of the "death zone" above 8,000 metres where no-one could survive without carrying oxygen sets. But, in 1980 the Austrian, Reinhold Messner, made an astonishing solo ascent without oxygen and there have been similar climbs since, the most remarkable that of the French and Swiss pair who reached the summit without oxygen in just 26 hours in 1986. These precedents helped to inspire the first British mountaineer to succeed on Everest this year, Stephen Venables, a writer and lecturer aged 34.

Venables, the one British member of a small American party attempting Everest's unclimbed east face, made a fast ascent to the south col and embarked on the final 850-metre summit on May 12. His two companions turned back at the subsidiary south summit but Venables pressed on to become only the eighth British climber — in a list now standing at 204 — to reach the world's highest peak. He survived a bivouac in the open during his descent at the eventual cost, through frostbite, of three toes — a price he considers worthwhile.

Venables' triumph was followed by news of the most recent British success, on Everest's north-east ridge, which was doubly satisfying since it climaxed a prolonged series of attempts by British teams. The route, reached via Tibet, follows an immensely-long outlying ridge that merges eventually with the mountain's north col route, scene of the heroic failure by the pre-war British expeditions.

Thereafter, he had pursued his ambitions as a civilian.

Under the new leadership of Paul

Moores, a member of the Glencoe mountain rescue team, the expedition persevered and, on August 5, New Zealander Russell Brice and Harry Taylor, another ex-SAS alumnum, overcame the last of the four pinnacles. They had to spend a night in the open during which a foot of snow fell. They then colleagues later found that the climbing had been "like walking a tight-rope".

What ensued after they had overcome the pinnacles has spurred controversy in the mountaineering world, for Moores felt that the weather presented an unjustifiable risk and told them to descend via the north col rather than continue for the summit. The question posed among climbing cognoscenti, therefore, is whether this constituted a true ascent. It was a question of immediate concern to Bonington, since he already was preparing an expedition to the north-east ridge in 1988. The ascent, he says, "was a bold, necky push and a fine piece of mountaineering. But they haven't climbed the north-east ridge because you've got to get to the summit to do that." Nonetheless, Bonington has decided to abandon next year's attempt. "With the pinnacles climbed there would be no mystery in it, and I personally don't think all the effort would be worthwhile."

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## DIVERSIONS

# Bye-bye blandness, hello style

*Lucia van der Post waves farewell to BhS's pink crimplene, nylon cardigan image*

**B**RITISH Home Stores has worn that slightly desperate air over the last few years of a store in urgent need of an image. Playing that game of association which psychiatrists are so fond of, all that BhS brought to my mind was a vision of oceans of cheap merchandise, lots of it luridly coloured, curiously interspersed with little pockets of excellence like some of the lighting.

I once bought from her Caerphilly and Susan Hill her hats. It seemed to exude above all a bewildering air of muddle. You might just as easily come upon the extremely nice as the ineffectively nasty. As for shopping there personally — except for the lighting, it wouldn't have crossed my mind. The air of a store that didn't quite know what it was doing was so powerful it almost shrieked.

Well, we all know what happened then. In January 1986 it became with Mothercare and Habitat, part of Sir Terence Korn, managing director of the fashion division at Conran Design Associates, has been in charge of overseeing the new direction at BhS. "We were acutely aware that the BhS label was not one that people felt proud of, or that they aspired to. We had to change. We had to give the chain an identity so that people would know what we were offering. The first thing was to try and decide what it was that people wanted from a chain store. We felt that people came to us for needs, as opposed to

## HOW TO SPEND IT

wants — for things like underwear, knitwear, bras, tights, for updated classics.

"But what we have tried to do is not to change the price too drastically. At every price point we have tried to do the best we can. Our new message is — everything's changed but the price."

All this sounds like music to my ears. What I, and I suspect most others, want to find in their local chain store are good quality basics with the kind of anonymous quality that means they will blend seamlessly into the wardrobe. What we emphatically do not want are clothes which are trying too hard, designer imitations which need the finest fabrics and hours of care before they are convincing.

There are certain things for which, in my view, it is daft to pay over the odds — they need to be good you can wear them while giving you £150 Manolo Blahniks a rest.

I wouldn't say it is all completely wonderful yet. After being seduced by some beguiling up-to-date and infinitely desirable items in the press office on Friday, I did a trawl around my local BhS on Saturday — not the same thing at all. There, indeed, were some of the marvellously essential items I'd seen in the press office but nestling beside them were some other infinitely missable numbers. What you need most of all this autumn, to take advantage of the excellent value and some of the real panache that BhS has gone in for, is a clear and steady eye and taste. Trawl through the racks and rails but keep your tastebuds on full alert. BhS is clearly full of good intentions and awash with pure new wool but the Kensington High Street branch at any rate is still being renovated, and warrants a strong sense of order to do justice to the bargains within it.

For those looking for some essential items for their autumn/winter wardrobe I picked out some of this season's best buys:

- A black velvet dress so plain you could dress it up and make it look very different each time you wear it. With a slashed plunging back, demure high front, a slightly dropped waist and important sleeves, it must be a bargain at £45.
- Tough fur-lined frontier leather boots, perfect for winter country walks, £29.99
- Underwear — deliciously pretty, much of it in pure cotton, varying from the sweetly pretty to the seductive.
- Knitted coat in navy and bottle green check (50 per cent acrylic, 15 per cent nylon, 35 per cent wool), soft and easy to throw on, just the thing for the car, for walking the dog, for wearing when it's not quite cold enough to adopt the full wrap-up routine, £65.
- Hats — of course they don't look like designer numbers but for the price you'll pay they're excellent value. The classic felt boater at £12.99 and the two-tone navy blue and bottle green upturn at £21.99 don't go in for any fancy nonsense but are good classic numbers you could wear (almost) anywhere.
- Short flared coat with this season's essential swing — in pale mushroom, or black, good with short skirts, at £69.99.
- Satin evening shirt, £19.99.
- Box-checked jacket in pure new wool, maroon, bottle green and mustard, £49.99.
- Some splendid children's wear — in particular a demure little coat in navy or red with the sort of velvet collar grannies love, for just £24.99. At that price you would not expect pure wool and you don't get it — it is 50 per cent wool, 50 per cent viscose.

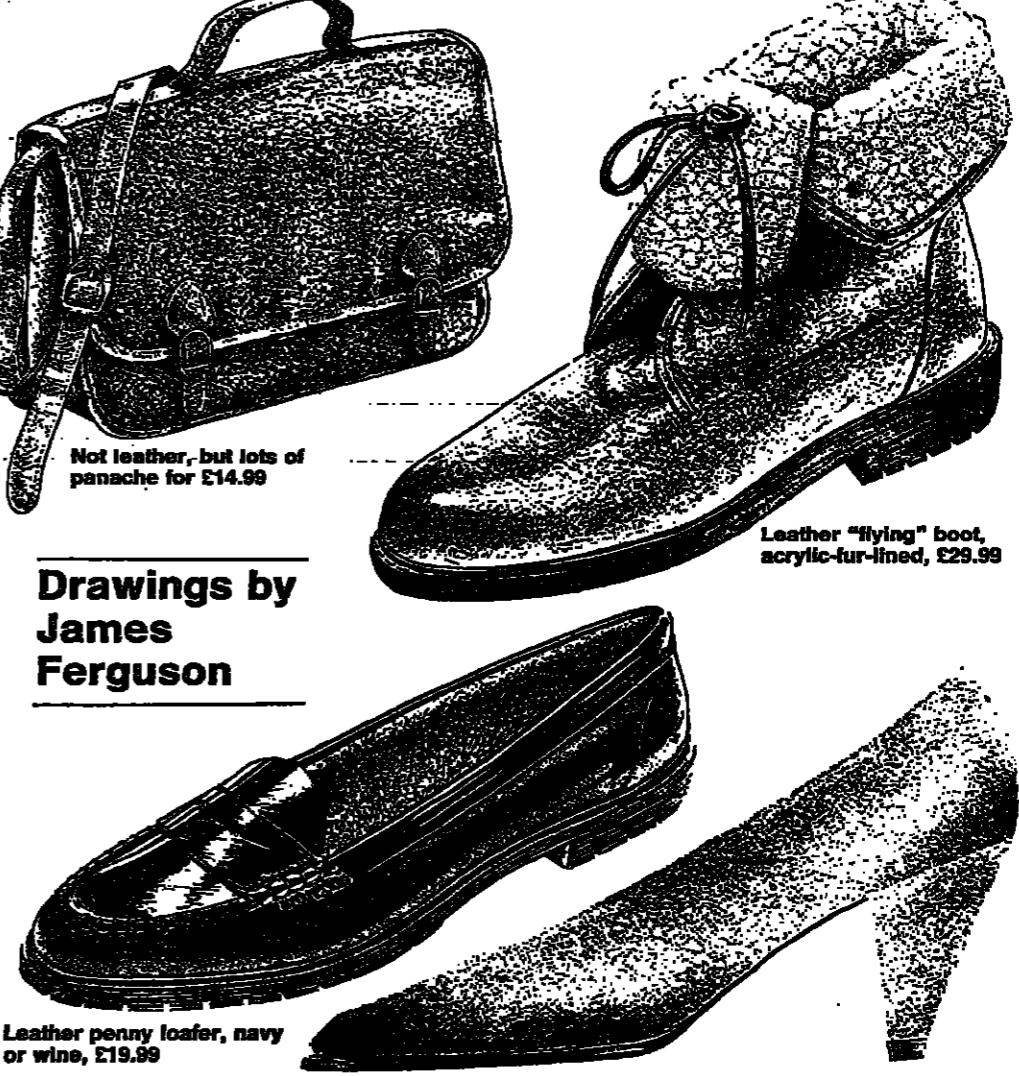
Smaller branches will not carry the full range but most of the large ones should have everything mentioned, except the shoes, which will be available in three weeks' time.



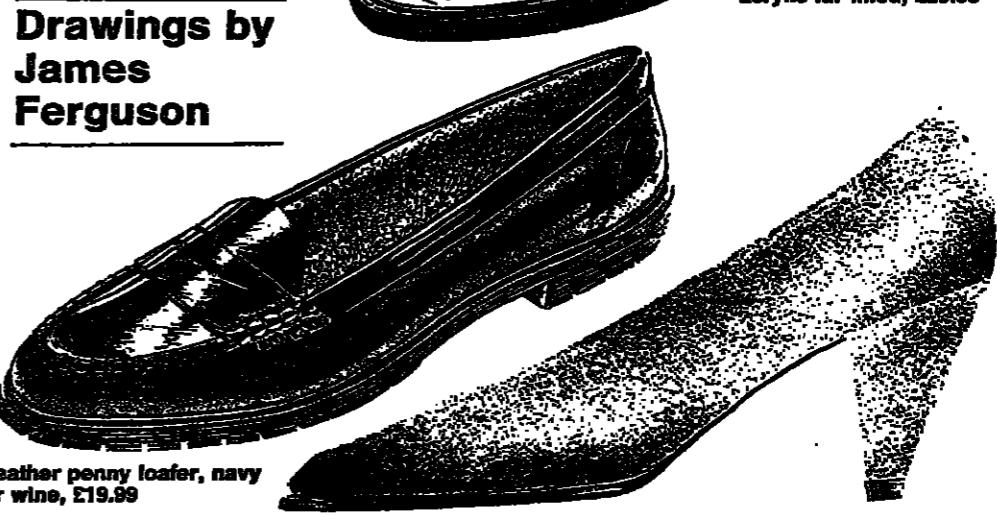
Sleek city suit in black and white dog-tooth check, 70 per cent wool, 30 per cent polyester, £49.99 the jacket, £19.99 the skirt. Lambwool polo neck, black, £16.99



Pure cotton Victorian-style nightdress, £19.99  
White pure cotton-knit "teddy", £16.99



Not leather, but lots of panache for £14.99  
Leather "flying" boot, acrylic-fur-lined, £29.99  
Leather penny loafer, navy or wine, £19.99  
Chocolate brown "suede" shoe, £12.99



Drawings by  
James  
Ferguson

Wrap-over acrylic jersey dress in black or rich brown, £29.99.

## Cookery

## The joy of raspberry vinegar

*Philippa Davenport explains how you can make it — and others*

I suppose that diehard picklers or button onions and hard-boiled eggs still remain faithful to malt vinegar, but the rest of us switched allegiance to less lethal brews years back. Then, a decade or so ago, the fashion for plain wine vinegars gave way to a passion for more specialised numbers. Herb, spice, fruit and fruit-flavoured vinegars became the in thing, with raspberry vinegar a particular darling of nouvelle cuisine.

Although less exclusive now, flavoured vinegars remain à la mode. They are what many smartly-dressed salads and other foods are wearing this season. The effects can be sublime — but sometimes they are sorely disappointing.

Part of the trouble, as I see it, is that the shopper is confused by having so much from which to choose. Dozens of manufacturers are getting in on the act and vinegars now are made from every conceivable flower, herb and fruit.

In the interests of research, I have sampled cratesful of commercial offerings and bought up a fair number myself. I conclude, sadly, that many flavoured vinegars are just not worth the larger space. Some offerings are little more than novelties for novelty's sake, while others are the products of companies which seem more concerned with seductive packaging than with good taste. So much so, that as a rule of thumb, I am tempted to say that the prettier the label, the less serious the vinegar.

I could discover no virtue in any of the vinegars I tasted made with either blueberries or elderflowers. Nor could I work up any great enthusiasm for strawberry vinegar. Laven-

der vinegar I found more interesting, but more of a curiosity than a gastronomic thrill. It looked brilliant when I made it. A year later, it has turned the colour of peaty water, but I still enjoy uncorking the bottle: its zingy scent makes a potent sal volatile. Perhaps I should patent it as such. Its culinary advantages seem limited, my only great success being to add a discreet spoonful to the broth over which I steam-tender young rabbits.

Some of the blackberry, blackcurrant and raspberry vinegars I have tasted have been beautifully fragrant. Some have been dull. Others were downright nasty. I doubt they had ever been in contact with fresh berries, more likely made with synthetic fruit flavours.

Top-quality raspberry vinegar is also a joy. The proponents of nouvelle cuisine were right to latch on to it. Once tasted, you will be loath to be without it in your kitchen. The best version by far that I have tried is made by Martin Pouret of Orgeval. It is mellow and sings with fruitiness, just one whiff of it capturing the essence of a warm and sunny summer's day. Next best is home-made. Its deliciousness depends, of course on using fresh, well-flavoured berries and good-quality wine vinegar to make it. Sad to say, this waterlogged

summer is unlikely to produce a brilliant vintage.

To make RASPBERRY or BLACKBERRY VINEGAR, put fresh-hulled berries and good wine vinegar into a china bowl, allowing 1lb of ripe fruit for every pint of liquid. Cover with a thick cloth and leave at warm room temperature for five to six days, stirring just occasionally. Strain off the liquid and repeat the whole process using fresh berries or served piping hot as nightcaps and cold cures in winter.

Infusing herbs with vinegar

is another old country practice.

Any herbs can be used, wild or

cultivated, singly or mixed. For

my money, tarragon vinegar is

the most useful, an essential

ingredient of my store cupboard.

It is the perfect choice for

vinaigrette, mayonnaise and

hollandaise-type sauces for

serving with veal, chicken, sea

trout and many other sorts of

fish and shellfish as well as

with vegetables such as courgettes and mushrooms.

Good-quality tarragon vinegar is not difficult to buy. But since the herb rampages so

happily in my garden, I use it

so much and it makes an

attractive present, I like to

make a large batch every year.

Dill vinegar is also worth making. The method is exactly the same and it looks very pretty in bottles with feathery fronds of the herb waving in it.

Raspberry vinegar is also excellent as the sole liquid element in a casserole of red cabbage with roasted chestnuts, seasoned with toasted cumin and a little brown sugar and topped with dollops of chilled

sour cream at the point of serving.

There is nothing new about raspberry and blackberry vinegar, of course. They have been made in country house still rooms and cottage kitchens for centuries — raspberries for the rich, wild brambles for the poor. In earlier times these vinegars were particularly popular for drinks, sweetened and served with ice cubes, for summer thirst-quenchers and served piping hot as nightcaps and cold cures in winter.

To make HERB VINEGAR,

brew a bunch of your chosen

herb, steep it in a wide-

mouthed jar of good wine

vinegar, cover tightly and leave to

infuse on a sunny window-sill

(or in the airing cupboard) for

two to three weeks until the

vinegar is aromatic, shaking the

jar vigorously once a day.

Then, strain and bottle with a

fresh sprig of the herb for identifi-

cation.

SPICE VINEGARS can be

made in the same way. Bruised

green ginger, peppercorns and

garlic are favourite choices but

such robust flavours infuse more quickly than herbs.

Balsamic vinegar is the fash-

ionable vinegar of the moment.

I had heard it mentioned in

reverentially hushed tones for

years, but never quite knew what it was until recently when I acquired a bottle. (Aceto Balsamico from the Modena firm of Alis is distributed here by Charles Carey of The Oil Merchant, 3 Harlequin Road, London W14 0JL, and is to be found in many good delicatessens.)

Balsamic vinegar is deliciously sweet, yet sour.

A specialty of Modena, its distinctive qualities come from

the fact that it is made from

the cooked and reduced must

of certain sorts of grapes, fer-

mented slowly and matured

lovingly in a series of casts

each made from a different sort

of wood.

The very best, which can be

aged for 50 years or more,

never leaves its native Modena.

Connoisseurs rate it as liquid gold. The commercial versions

we can buy here in Britain are

not cheap, but the flavour is so

intense that you need to use

very little of it.

A few drops will glorify a

dish of braised beef. I recom-

mend it for deglazing the pan

in which you have cooked

some thinly-sliced onions until

meltingly tender, then quickly

sautéed a few slices of carved

liver cut into quills. Season

with a little salt and pepper

and serve on a bed of plain

shredded lettuce to foil the

richness.

Balsamic vinegar adds a lus-

cious finishing touch to a mix-

ture of glazed button onions,

matchsticks of carrot and tiny

black olives. It is also excellent

when used to dress pan-seared

magret of duck breasts, served

with ribbon noodles of pasta

and scattered with colourful

and peppery fresh nasturtium

flowers.

Back in the Po Valley, bal-

samic vinegar is sometimes

sprinkled over a dish of straw-

berries, used to make cooling

granitas, or to add piquancy to

rich beef consomme. It is also

served as a drink. On a hot

summer day, just a teaspoonful

is deliciously refreshing when

stirred into a tall tumbler of

icy cold tap or sparkling min-

eral water.</

## BOOKS

*Anthony Curtis studies the latest batch of Max Beerbohm's correspondence*

## Wit and wisdom of a practical joker

UNLIKE THE *Letters of Oscar Wilde* which Rupert Hart-Davis presented to the world in 1962 in one massive magisterial volume, supplemented by further gleanings recently, Max Beerbohm's correspondence has been appearing on an installment plan. From time to time Max's letters to and from various individuals have graced separate volumes. The first was his *Letters to Reggie Turner* (1964); then in 1975 came *Max and Will* (Rothstein) edited by Mary M. Lago and Karl Beckson; while two years ago Sir Rupert gave us *Siegfried Sassoon: letters to Max Beerbohm & a few answers*, to mark Sassoon's centenary. However, that still left a great many Beerbohm letters to people like Shaw, Archer, Gosse, Lytton Strachey, Edward Gordon Craig, Henry James, and other less celebrated recipients, still needing to be published. Wiseley, Sir Rupert has decided not to print them all because many of them deal only in trivia (though with Max it is not always easy to distinguish trivia from significance). He decided instead to bring out a representative selection covering Max's whole life.

The task has been admirably discharged, with those concise footnotes that are the Hart-Davis silver-mark. The volume will give faithful Maximilians a fresh sense of their hero's whimsical charm, his penetrating insight, his unfailing courtesy, his delight in praising a fellow prose-writer when he felt praise was due. In this vein he would write to people he did not know but whose work he admired, and this might lead, as in this case of Lytton Strachey, to a lasting friendship.

Moreover, the book will provide for the newcomer, daunted perhaps by the thought of tackling David

LETTERS OF MAX BEERBOHM 1892-1956  
edited by Rupert Hart-Davis.  
John Murray £16.95, 244 pages

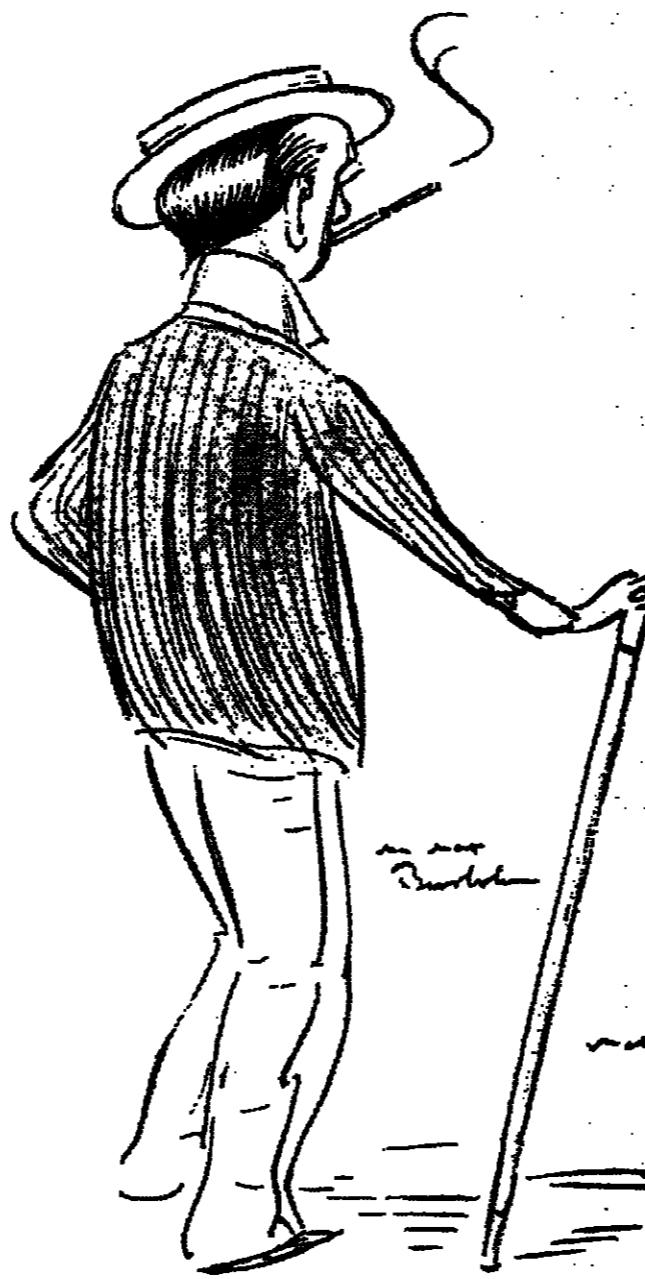
Cecil's lengthy biography, a short cut to the mystery of what happened to Max after his early blaze of glory in the London of the 1890s.

In those days, in addition to making his mark with his drawings and his essays, Max was a great practical joker. Almost the first letter here, written from Oxford in 1894, is to the Editor of *The Yellow Book* explaining that Max's article in the first number about Cosmetics had set off such a furor was a hoax. Four years later Max writes to the Editor of the *Pall Mall Gazette* learnedly expounding a puzzling line from one of Shakespeare's sonnets. Max divines its true meaning with reference to Hort's *Compleat Book of Ancient Heraldry and the Devices* published in 1683. Sensation among the heralds; but trying to check the reference no one in the College of Arms could find any trace of this tome – until Max put them out of their misery by admitting it was a pure invention.

Max had an even more intimate confession to make to Florence Kahn than his love of practical japerie. The crucial sentence from a number of letters to her before they were married reads: "I like you better than any other person in the world. But the other sort of caring is beyond me. I realise quite surely now that I shall never be able to care in that way for anyone."

Sir Rupert interprets this as meaning that if they were married the marriage would never be consummated. "Max" he writes "was a natural celibate and I doubt whether he ever had sexual experience of any kind." Florence's nature was, luckily, compatible with this and they were extremely happy. On her death in 1951, Florence's role was taken over by Elisabeth Jungmann who had been secretary to Gerhardt Hauptmann, the playwright. She ended her life as Lady Beerbohm.

Marital happiness seems to have been in 1910 the immediate reason for Max's giving up his job as weekly theatrical critic on the Saturday Review where in 1898 he had succeeded Shaw, and again for his retreat to Rapallo where he lived until his death, only



returning to England during the two world wars. As these letters testify Max certainly did not go to Rapallo. The liveliness of his mind, his passionate concern with the beauty and purity of the English language remained unimpaired, as did his capacity for friendship. There was an endless procession of eminent visitors. He continued to write occasional essays. Nonetheless the sense of waste is always present. When he was in his twenties he made a joke in public about retiring and leaving the way clear for younger men, and it seems as if he was hoist with his own joke.

ELEPHANT AND OTHER STORIES by Raymond Carver Collins £11.95, 124 pages

FAMILY BUSINESS by Anna Murdoch Collins £11.95, 653 pages

ALASKA by James Michener Secker & Warburg £12.95, 916 pages

most moving in the book – and carries on through the Gold Rush right up to the present. A fantastic read, as they say nowadays, and a great tribute to itself and its author's knowledge and energy.

Martin Seymour-Smith

## Fiction

## Chekhov's successor

"Boxes" is an almost intolerably sad account by a son of his old mother's descent into insanity. "Menudo", a more involved story, is another first-person account of descent into despair or madness, or perhaps both. Carver could speak in the unhappy voices of his protagonists with haunting power, capturing the half-simless, half-directed manner of their reveries. The secret lies in his rendering of the true rhythms of speech. Like Joyce, and with as little pretension, he lets us know that the commonplace is also its opposite. He never wrote better than he wrote in this volume, and seems to have reached the top

of his powers. He is bitter loss to international letters.

Anne Murdoch's second novel is dedicated to "all newspaper pioneers - past, present and future." A work of, as the publishers declare, "stunning power," it certainly requires some adjustment of critical standards. It concerns Yarrow McLean; indeed, it "introduces" her to "current fiction" – perhaps we shall hear more of her. Yarrow saves her grandfather's paper, and balances her love of power with her love for the man who inspires her, Elliott Weyden, but Elliott wants nothing less than the presidency, as did his capacity for friendship. There was an

this balance between power and love would have caused even the late Henry James to lift at least one eyebrow. Recommended for students of progressive fiction.

James A Michener is now 80 years old, but age has not made his books get any shorter. Since many people, including several taxidermists I have encountered, obtain most of the education they possess from Michener, I assume that it is a good thing. Here, in only 915 pages, the development of Alaska from the earliest times is traced.

The book begins before human beings arrived – the section on the mastodon is the

perfect and one hoped from the "unauthorised" element of the title that Jonathan Mantle would contribute deeper psychological insights. In fact, he adds very little to the widely known details of Archer's career.

If Archer had not wanted to become a millionaire, he would not have remortgaged his home and borrowed extensively to invest in Aquablast, an obscure Canadian shell company, in the hope of getting a fortune in destroying. His resignation from Central Office closed Act Two of the morality tale.

It was a case study in foolish investment that should be read, and understood, by all potential members of the "share-owning democracy".

The shares were, of course, worthless and the young Tory MP was ruined – end of Act One of the Archer morality play.

If Archer had not so relentlessly pursued publicity all his life, he would not have been such a tempting target for Fleet Street when the Monica Coughlin story appeared.

Even if he had stuck to best-sellers, and forsaken the world of politics, he might have escaped. "Gabriel Garcia Marquez in sex scandal" is an unlikely headline for the News of the World.

If Archer has greater depths, Mantle does not reveal them. If he may be, of course, that he is exactly what he appears: like a figure from his books, a two-dimensional character in a rattling good tale.

In fact, as a cycle of hubris and nemesis, it is almost too

RAYMOND CARVER died at 50, after a long struggle with cancer, only a few days before the issue of this collection in England. This is an age of fatuous hyperbole, and Carver's work has come in for some of it. But, unusually, the work really is important: Carver made himself the natural American successor to his true mentor, Chekhov.

In "Errand," the last story in this collection of seven, he imagines the last days of the Russian writer. This offers a fine example of Carver's virtues. At first sight it might seem to come from a biography – but the reader soon discovers that this would have to be an impossibly intuitive biography. Biographies are not as good as that. It is writing of the simplest kind, but, for once, the simplicity really is deceptive. It reads all the more poignantly in view of Carver's own situation when he wrote it.

## East Enders

JUST A century ago, life in London's East End could only be described as solitary, poor, nasty, brutish and short. William Fishman, a historian at Queen Mary College, author of *East End Jewish Radicals* and himself a native East Ender, has painstakingly portrayed the social conditions of 100 years ago to dispel any notion that Victorian times were Good Old Days for the majority of working-class Londoners.

Despite the topical title, this is an academic historian's work with footnotes beneath every page, and carefully researched sources for almost every assertion about social life in London's poorest quarter. It is history in the raw, with no punches pulled depicting with deep compassion the deprivations suffered by the poor of London in the last quarter of the 19th century.

In the year of Jack the Ripper and a year before the great dock strike, the East End was still "hell of poverty" where men and women fought for jobs offering a few shillings a week in return for 12 or more hours' labour for six and a half days a week, often in unsanitary sweatshops. The poor lived in slum tenements, with more than one family

EAST END 1888  
by William J. Fishman  
Duckworth, £16.95, 343 pages

## Hubris and nemesis

IN-FOR-A-PENNY: THE UNAUTHORISED BIOGRAPHY OF JEFFREY ARCHER by Jonathan Mantle Hamish Hamilton £11.95, 259 pages

of the Conservative party, who had a tendency to make embarrassing and insensitive remarks about Ireland and unemployment, was the kind of public figure that newspaperers take a delight in destroying. His resignation from Central Office closed Act Two of the morality tale.

It was a case study in foolish investment that should be read, and understood, by all potential members of the "share-owning democracy".

Among the wealthier classes, there was only one underlying fear: that the working-classes would rise in revolution against the existing order.

By emphasising the horrendous state of urban life 100 years ago and its contrast with present conditions the author is – if unintentionally – demonstrating the ability of capitalism to change itself and to improve conditions and living standards beyond recognition.

William D. Shatto

a cross between Dick Francis and Frederick Forsyth THE TIMES

# PETER CUNNINGHAM

An electrifying thriller from the new king of pace and plot

Robert Blake assesses Leo Amery's contribution to British politics

## Tory grey eminence

LEO AMERY was a nice man, honourable, honest, intelligent and articulate. He was never a man for brevity. I remember him, a small wiry figure, addressing a gathering of Rhodes Scholars in a marquee on a hot summer evening to celebrate the Trust's golden jubilee.

We had dined well, but 50 minutes of post-prandial oratory palpably tried the patience of some of the guests. It has been said of him that he would have been Prime Minister if he had been half a head taller and his speeches half an hour shorter.

It is no surprise that his Diaries for the period 1929-1945, though much condensed by the editors, run to more than 1100 pages. And he was not a Peppys or Churchill. He wrote clearly and efficiently, but not vividly or amusingly, more like Dick Crossman or Harold Macmillan, who contributed a foreword to this volume. Amery was aware of his limitations. "I daresay I have suffered from lack of the phrase-making gift," he writes, contrasting himself with Churchill and Lloyd George, and again:

"Whether any particular writing, action or speech of mine is likely to live is doubtful. But the sum total of my contribution in ideas and steady following them up over a lifetime may in fact, if not in repute, have amounted to a good deal and with that inner consciousness of immortality I can afford to rest content."

What did he contribute in ideas? He was a passionate believer in Joseph Chamberlain's policy of Imperial Preference, a tariff wall round the Empire and free trade inside, to produce economic and political union, ideally a federation like the United States. But the whole trend of imperial development was in the opposite direction. It was centrifugal, not centripetal; and the white Dominions which the Tariff Reformers had mainly in mind sought greater independence rather than closer union.

As Dominion Secretary 1925-29 it fell to Amery to implement the Balfour Report of 1926 which under a characteristically subtle formula, was the charter of Dominion nationalism, not Imperial unity. After 11 years in the political wilderness he came back into office as Secretary of State for India in 1940. The office was far from being his choice. Although born in the North-West Frontier Province he was taken to England at the age of three and he never returned to the sub-continent.

India did not fit into the plans of the Tariff Reformers. He was not at ease with its problems. Nor was he at ease with Winston Churchill, whose views on India remained rigidly conservative to the end. Their relations had been ambivalent since their boyhood days at Harrow when Churchill, a red-haired junior, had pushed Amery, a self-conscious but very small sixth former,

THE EMPIRE AT BAY: THE LEO AMERY DIARIES 1929-1945 edited by John Barnes and David Nicholson Hutchinson, £19.95, 1153 pages

into "Ducker" (Harrowe for the school swimming-pool).

Churchill was an unrepentant free-trader. He left the Conservatives on this question in 1904, and he never believed that Imperial Preference would help the Empire write in his diary:

"Churchill is at one with the fight against the Armada, or Louis XIV, or Napoleon, but he has never been in touch with any of the currents of thought of our own time. He has always hated Dominion self-government and hates it even more as applied to India... His judgement on the political issues of the day has almost always been wrong. But, for a great battle, he represents the heart of old England."

One of the best features of this book is the introductory sections by the editors. If one talks of Amery's verbosity it is fair to remember that 300 of the 1100 pages are written by them. The introductions might well be published as a book on its own. Like Colin Matthew's *Gladstone 1809-1874* which gathers together his highly perceptive introductions to successive volumes of the Gladstone Diaries.

John Barnes is the co-author of the standard life of Stanley Baldwin, David Nicholson, Conservative MP for Tavistock, is Director of Home Affairs at the Association of British Chambers of Commerce. It is good news that some Conservative MPs can be scholars and historians, even as C.M. Woodhouse was, and Robert Rhodes James is. The editors have done an excellent job in giving what they call "the state of the art", up-to-date assessments of the latest information about the periods covered by the Diaries.

Amery was paddling against a current which was to sweep away all the policies in which he believed. This does not detract from his career as a decent man and a valuable chronicler of the times in which he lived. The editors and publishers deserve to be congratulated upon a major contribution to twentieth century political history.



Leo Amery chatting to troops

## Crime

DESIGN FOR DYING by Anne Morice Macmillan, £9.95, 176 pages

DEATH ON NO. 8 HOOK by Laurence Gough Gollancz, £9.95, 189 pages

ANNE MORICE introduces us in *Design for Dying* to the dreadful Christine Barnaby and her long-suffering cousin Martha.

After an extended absence in Africa, Christine comes back to rural England with two husbands (one has been divorced, legally at least) and a small son. The family tensions are neatly poised and described; the other actors in the drama are all nicely defined. An exemplary job.

But Archer's critics seem mainly to have been motivated by envy or spite; there seems little doubt that he is both an extremely good fund-raiser and a natural story-teller.

If Archer has greater depths, Mantle does not reveal them. If he may be, of course, that he is exactly what he appears: like a figure from his books, a two-dimensional character in a rattling good tale.

Philip Coggan

William Weaver

The world is heading inexorably towards chaos. Throughout the West inflation is raging and recession is deepening...

## APOCALYPSE 2000

PETER JAY AND MICHAEL STEWART

A frighteningly possible scenario for the future of our world.

A hypothetical future history of the Western economy that is readable, entertaining and all-too-plausible' FINANCIAL TIMES

NOT TO BE MISSED IN SPHERE

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## ARTS

There are only three stories about the Edinburgh Festival — always have been, always will be. They are the indifference of the locals, including the ruling Labour Council, to the event; the saga of the non-existent opera house; and the economics of the Fringe. Here they are, 1988 versions.

Only 15 of the 90 stores in majestic Princes Street coughed up the £25 needed to buy a stick-on star and become a Festival friend. But if Festival director Frank Dunlop is unrecognised in his own country, he is big — very big — in Japan. There the Festival is the greatest thing since Sake. So worried was director Yukio Ninagawa about the reception of his version of *The Tempest* that he took to a darkened room for two days on arrival and could not eat. This sensitivity caused problems — there was no technical run-through for the play, so the fact that the accompanying surtitles were indecipherable by the audience was not apparent until the first performance. Fortunately, though, the warm applause cheered up Mr. Ninagawa and Scottish Mutual, which had paid £10,000, its first sponsorship money, just for the surtitles. Even more exciting behav-

our from another Japanese visitor, Zenya Hamada, who describes himself as a Tokyo tycoon. He is also the writer, director and producer of *Piazzola*, a play about the artist. He walked into the offices of The Scotsman on Monday with £5,000 in notes, and bought a full page advertisement promising his work. Since the Bellam Theatre, where it played this week, has around a hundred seats, and prices for the six performances are £3 or less, Mr. Hamada is making bread upon the water. But he did get a review — in The Scotsman — and that will no doubt raise his status considerably back in Japan.

\* \* \*

There was widespread relief when the notorious "hole in the ground" in the centre of Edinburgh, for 40 years favoured as the site of the city's putative opera house, was recently designated — as a business centre.

But the idea will not go away. This weekend a local pressure group, commanded by journalist Jonathan Brown, will announce plans for a 540m

opera house to be built at Leith, down the road, and on the river, and now enjoying a spurt of life after years of decline. On the surface it is nonsense, but Brown has won promises of cash from some serious commercial interests. They may not be keen on opera, but they can see the potential of developing Leith, and there are plenty of opportunities around the world of an opera house, or other flamboyant arts structure, acting as the focal point for attracting restaurants, bars, flats, and offices — and they are interested in these.

The Scottish Arts Council is responsive to the scheme in preference to Frank Dunlop's own idea — a £25m facelift for the Playhouse. This now looks like unimaginative patching. But as the opera house saga enters its next 40 years, the new lobbyists have learned one lesson: they are describing their building as a music theatre — home for dance, spectacles, rock concerts; plays — anything to rid it of the elitist "opera house."

But for Frank Dunlop, getting



Edinburgh Festival director Frank Dunlop

Edinburgh the opera house that will enable him to play host to some of the world's great companies who cannot visit the Festival for lack of an adequate major venue is not top of his current worries. These are headed by disappointing ticket sales so far for this Festival. Unless the box office can raise £1m towards

total costs of around £2.75m, there will be yet another financial crisis.

The Fringe too, which this year embraces 913 shows, has noticed slow forward bookings. This did not seem to worry Bill Burdett-Coutts too much as he sat in the bar of the Assembly Rooms watching the customers pour in daily by the thousand for one of the 600 performances he is mounting in five theatres there.

Something strange is happening at the Festival. The Assembly Rooms are becoming an artistic as well as its social heart. While the official Festival kicks up its skirts and puts on fringy things, such as Michael Clark's *diacon*, Lenny Henry, and an organic version of *Beowulf's Great* (which Mr. Knoff has typically washed his hands of), the Assembly Rooms is presenting figures from the modern establishment, such as comedians Fry and Laurie, and the Georgian Film Actors Studio. "When I started in 1980 I think one of the people appearing here had been on television: now it seems most of them have," says Burdett-

Coutts.

The Assembly Rooms can attract the pick of the Fringe. This makes the chances of a university troupe playing a church hall in Musselburgh getting publicity, and audiences, that much slighter. With a turnover of £550,000, all but £100,000 coming from the box office, the Assembly Rooms is now big business.

Burdett-Coutts will stay faithful to the Festival, and the Assembly Rooms is becoming an artistic as well as its social heart. While the official Festival kicks up its skirts and puts on fringy things, such as Michael Clark's *diacon*, Lenny Henry, and an organic version of *Beowulf's Great* (which Mr. Knoff has typically washed his hands of), the Assembly Rooms is presenting figures from the modern establishment, such as comedians Fry and Laurie, and the Georgian Film Actors Studio. "When I started in 1980 I think one of the people appearing here had been on television: now it seems most of them have," says Burdett-

Coutts.

One other change at the Festival is the absence of impressarios from London casting an

**Antony Thorncroft**



Choreographer Sir Frederick Ashton, who has died at his Surrey home at the age of 83. He revived his ballet *Ondine* at Covent Garden last year

### Sir Frederick Ashton

It was Anna Pavlova, said Ashton, who "injected the poison" of dance into his veins. This happened when the 11-year-old Ashton was living in South America, where he was born in 1904. It was not until a conventional English education and a first attempt at a business career had failed as an antidote to the poison that Ashton was able to take up dancing. In class, first with Massine and then, when Massine left London, with Marie Rambert. Ashton was to be the first of Rambert's "discoveries." She manoeuvred Ashton into making his first choreography, *A Tragedy of Fashion*, for Nigel Playfair's revue, *Riverside Nights*, in 1926.

Ashton worked with Rambert, then spent two seasons — 1928/9 — with the Ida Rubinstein troupe in Paris, an important time in that it allowed him to work with Bronislava Nijinska. From her he learned craftsmanship, and he was to repay some of his debt during his period as director of The Royal Ballet when he invited her to reproduce her *Les Riches et Les Noces*.

When he returned to London he rejoined Rambert, but in 1935 he moved to Sadler's Wells and the infant national ballet, directed by Ninette de Valois, an association which lasted until his death. To the Vic Wells Ballet Ashton brought classic sensibility, musicality and wit, all of which was to be capital in shaping the dance style of both the company and its leading dancer, Margot Fonteyn.

The Fonteyn/Ashton partnership was to beget marvels for three decades; the association with Constant Lambert and Sophie Fedorovitch — treasured advisers and collaborators — was no less crucial. After wartime service in the RAF, Ashton took up residence with his company at Covent Garden. After *Symphonic Variations* (1946), a key work in fixing the identity of the English classic style, Ashton's genius seemed to flower, and he assumed increasing responsibility in developing the national ballet which he was, after Ninette de Valois's retirement in 1964, to direct for seven years.

Ashton's full-length works — *Cinderella*, *Sylvia*, *Ondine*, *La Fille mal Gardée*, *The Two Pigeons* and his *Romeo and Juliet* for the Royal Danish Ballet — were a major development in Western ballet; in them Ashton provided an extension of the Petipa manner. His shorter creations were marked by exceptional skill in

craftsmanship, by a lyricism and a perfection of taste that mark him as one of the great English poets. As a dancer Ashton was always elegant, in such varied roles as the Spectator in his own *Nocturne*, or Kastchey in *Firebird*. In his portrait of an Ugly Sister in his *Cinderella* he showed himself an actor of wit and sensibility. These were also among his qualities as a man.

He wore the honours and accolades which came to decorate his genius with an engaging lightness; he was incapable of being either pompous or dull, and he inspired — and deserved — an unfailing and loving devotion from everyone who worked with him or knew him. His heirs remain a priceless heritage for British ballet.

### Clement Crisp

Susan Spiegel and Robert Clare in *A Midsummer Night's Dream*



## A hot Midsummer Night

The Royal Exchange Theatre of Manchester has provided the Edinburgh Festival with a perfectly adequate *A Midsummer Night's Dream* in the Assembly Hall. Gregory Harcourt's production is the best work I have seen in this venue since the Glasgow Citizens' Karl Kraus extravaganza.

The great hall? where the mechanicals are to play, the tragic comedy of Pyramus and Thisbe is just a description of this Victorian Gothic interior of wood paneling and judicial benches. Let brotherhood's design cleverly transports us from the classical pre-nuptial skirmishes of Theseus and Hippolyta to a cobwebbed fairy world derived in equal measure from the visual imaginations of Richard Dadd and Arthur Rackham.

Kenneth Cranham's well

spoken Oberon is a resplendent chieftain in a floor-length feathered head-dress and scaly blue body stocking. His Titania, Fiona Victory, is even more exotically attired in a figure-hugging white spangled lurex costume. Banners of tinted forestry hang about the stage and Peter Lindford's spikily demonic Puck explodes like a gargoyle from a bottle, his movement full of nocturnal sophistication.

The Athenian court becomes ensnared in this romantic world of fancy almost without realising it. Books on pedestals are encased in glass, as if in a museum. A ceremonial bed is protectively roped off. Titania's bower will be a ruined version

of this bed. Miss Victory expressively submitting to languid amorousness while her attendants fit and flutter round the uncoordinated beast.

The dorking invasion of elemental forces is conveyed in clouds of mist and the spookily compelling soundtrack by Mark Vitancic. Similarly, after the play within a play, the choreography of Stuart Higgs willfully enmeshes the mortals and the mechanics in the bengal mask. The symbolic "invention" of the play's narrative strands is well judged. But inexperience is betrayed in the great third act quarrel scene.

Helena and Hermia are physically, but not emotionally,

**Michael Coveney on a dramatic feast at the Edinburgh Festival**

contrasted by Susan Spiegel and Caroline Milmo. The woodland adventure unties their hair and begins their petticoats. They resemble, respectively, a tall and short version of *Tamriel's Alice*, a character for whom size was also a matter of fickle pizzazz. Demetrius and Lysander (Robert Clare and Adam Kotz) are similarly reduced before regaining the bourgeoisie dignity of morning suits for the bidding and the performance.

This interlude has been sternly prepared by David Allister's Peter Quince, whose artistic pretensions are pleasantly exploded by his unwittingly disastrous prologue.

It is a brilliant treatment. On their two previous visits to the Edinburgh Festival, with *Macbeth* and *Medea*, the Ninagawa

has presented coherently spectacular melt-downs of traditional Japanese forms. Here the language of Noh is deliberately employed as a referential device. The revolving cloths process in mock dignity along a platform, led by Caliban in a long scaly fish tail; Ariel flies back and forth like Peter Pan.

Accompanied by the vicious beating of the Japanese drum and underpinned by the sustained sensuality of the synthesized keyboard, the Prospero of Haruhiko Jo is a stage manager operating on a full budget. His conjurations are prepared for the beneficial education of Miranda, a white smocked beauty played by Yuko Tanaka.

Prospero's cell is a romantically inset of rocks and water, his repertoire of masses running to strata nymphs, kindred-clad deities, cuddly hell hounds and the spectacular shipwreck, worthy of Drury Lane in its Victorian heyday, that simply rears up and vanishes as it in a dream.

The tale is not so much full of noises as full of noise. While the sun-titles (not a great success) relay the information that our little life is rounded with a sleep, Prospero is scything the air and scintillating like a strangled chicken. "Hai-hee-ya-ya-waum-pah-oyah-HA!" I think it sounds splendid, and probably scans. The company was received with a deserved ovation. If only the rest of the official drama programme was similarly enticing.

**Records**

*The opera was transformed into a 'Let's Make An Opera' evening of amateur dramatics*

Venice Festival; and perhaps that should be visited before *Merryworts* is consigned to the list of opera's most frustrating misfires. The so-called semi-staging devised by Michael Rennick for *Merryworts* was all too complete, and of quite breathtaking idiocy: the opera was transformed into a "Let's Make An Opera" evening of amateur dramatics round

the piano.

It is true, however, that Ruth Bergman's abstract-symbolist production of *Merryworts*, conducted by Alvarado, was the great success of this year's

Summer Festival.

One longs to discover that received opinion is wrong, and that works such as *Merryworts* and *Alceste* and *Estrella* are indeed feasible samples of lyric theatre. Higher claims have

been made for *Merryworts* than for the other Schubert operas, but on Thursday the mixture of glorious moments, passing flashes of great innovative imagination (such as in the speech-and-orchestra melodic-masques), startling clumsiness (in some of the concerted numbers and finales especially), and unworkable uninteresting tale of Franks and Moors was much as expected. It seems a small but telling mark of Schubert's inexperience that there should be, in the same work, characters named Roland and Leon.

After a while even the relief

of passing amusement at the comprehensive silliness of it all dried up, and one was left

many mucous *quarts d'heure* to ponder how much more of a chance this *Merryworts* might have had in a straightforward concert performance.

It was also no help that Mr. Tate, conducting the English Chamber Orchestra, seemed content to do little more than beat his way through the score — rhythms lost, lift, melodies no splices, textures no ventilation, and the feeling of prolonged loudness went beyond what could be blamed on Schubert's overscoring.

**Records**

## Schubert's mirage

**Max Loppert on an operatic disappointment**

*The opera was transformed into a 'Let's Make An Opera' evening of amateur dramatics*

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**Records**

The solo singing of the large cast was mostly undistinguished (once again the technique of John Graham-Hall, cast here in the romantic-tenor role, gave cause for anxiety), intermittently boosted by some sturdy work from the American tenor Thomas Moser in the unwording title role, and from the baritone Roland Hermann (though he had to struggle with the high-lying line of Act 2) as Roland. Mr. Hermann's command of his native tongue and Mr. Moser's idiomatically utterance of German showed up the surrounding mangling of spoken dialogue.

There was undiluted pleasure

to be had from the Taliis

Chamber Choir — not their

ridiculous stage placing, of

course, but their sweet, fresh-

voiced contribution to some of

the opera's blithest inventions.

Let us pray that the rest of

Summerstage has been more

wisely planned and more care-

fully prepared.

**Records**

*Voyage to the heart of a flawed genius*

**Baker can provide these days.**

**There is no doubt, especially in**

**the more outgoing pieces such**

**as "Der Fischer," that this is**

**an older voice than we heard**

**from her. But the desire to**

**make music out of every item,**

**no matter how small, is a trea-**

**surable gift, and one to which**

**Hermann responds handsomely.**

**The series is scheduled to run**

**until the Schubert bicentenary**

## SPORT

**R**EPUTATIONS for winning take years to acquire. Once polished and burnished, such an aura gives any competitor an edge, even in a race between equals. Small wonder, then, that relatively few established winners in non-Olympic sailing arenas wish to take their shining carapaces into the Olympic furnace to test the melting point.

Laurie Smith is an exception to the rule. For nearly a decade, Smith has been a commanding figure in international big-boat racing. At 24 he took the helm of Lionheart, the British entry in the 1980 America's Cup, and became the youngest-ever skipper in that bruising contest.

Since then, he has done two more Cups — the most recent as coach and tune-up skipper to the Australian Kookaburra team — and has driven a variety of Admiral's Cup and maxi yachts. Next month, Smith goes back to basics and helms Britain's entry in the Soling three-man keelboat class at Pusan (sailing centre for the Seoul Games).

His motives for going are pragmatic. "After years of sailing things like 12-metres and Admiral's Cup boats, you worry about getting out of

touch, less sharp," Smith said from his training base on the Solent.

"So much of it is big-boat racing is hardware and technology. What you need to put yourself right back in touch with your own skill is fleet racing, where all the boats are going very much the same speed, and that's what Soling does."

Smith did not decide to enter the Olympic selection race until last February, by which time most of his rivals were well into the second year of well-orchestrated Olympic campaigns. His principal rival was Chris Law, who also had major commitments with the Blue Arrow America's Cup boat.

The two men are very different and not friends. Within a few weeks, Jerry Richards, mainsheet trimmer and vastly experienced in Solings, had left Law's boat to crew for Smith. Shortly after, the latter acquired the former's boat.

Certainly, he is more likely to be found at a Rio de Janeiro disco with a beautiful woman than curled up in Cowes with a book on knots and splices. However, on the water he is

"People will say I poached him to do Chris in, but I wouldn't have got Jerry Richards if Law hadn't already blown out. He couldn't do Blue Arrow and the Olympics whereas I had a clear field," said Smith, slightly uneasy with the question. In the event, Blue Arrow's demands on Law led him to withdraw before final selection.

Laurie Smith's rock-star looks — a well-cut blazer, permanent suntan, pale-blue eyes and ever-present grin — tend to suggest a playboy persona. When he sailed one leg of the last Whitbread Round the World race aboard Simon le Poer's maxi-yacht *Druim*, Smith, 32, seemed more suited to the world of video promos and teenybopper fans than the boat's owner.

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tant Heyeres regatta and was expected to be selected for the Olympics. It was a bitter blow when they were ruled off for (some) Britons.

One suspects that Moscow is a major reason for diving in — successfully — at the 11th hour for Seoul, although Smith is slow to agree. "In 1980, I didn't have the experience to do a last-minute campaign," he says. "At some time or other you've got to put in a lot of time in Enterprises and all that, towing the boat all over the country for weeks and weeks."

Smith's campaign began as a seven-year-old in Bury, Lancashire, where his father ran a builder's merchant and sailed for a hobby. Young Laurie got the bug, dropped out of Bury Grammar School at 15 — not popular with an institution that views the M6 motorway as leading to Oxbridge — and became a trainee sailmaker before setting up his own busi-

ness retailing fashion dinghy clothing.

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